

## Bonn, Irked by U.S., Shifts on NATO Plan

By Robert J. McCormey  
 Washington Post Service

West Germany, irritated by U.S. pressure for an arms control agreement, is backing away from supporting a NATO plan to replace antiquated U.S. short-range nuclear missiles with modern versions, according to West German officials and political sources.

Instead of deploying updated models of the short-range Lance missile, senior West German officials suggested that the United States deploy new intermediate-range nuclear weapons based on submarines or ships off Europe's coast and improve the punch of European-based warplanes.

## U.S. Worried By Armor on Soviet Tanks

By Malcolm W. Browne  
 New York Times Service

NEW YORK — Thanks to an Israeli invention appropriated by Moscow's weapons designers three years ago, many Soviet tanks have become virtually invulnerable to the anti-tank weapons carried by American infantry and aircraft, U.S. military officials report.

Challenging that conclusion, some critics say that the value of the invention, a kind of armor that explodes and deflects the blast of a shell, has been overstated. And a key question remains: Why has the United States not adopted the armor for its own tanks?

Several senior U.S. military officers say the new armor protects many Soviet tanks against the large, costly armaments of anti-tank missiles that NATO allies have relied on for two decades to blunt a Soviet armored thrust.

The explosive armor can be beaten, the officials say, but only with large guns capable of firing heavy projectiles that travel one mile (1.6 kilometers) per second. The latest U.S. and West European tanks carry such guns.

Soviet tanks would probably outnumber NATO tanks by more than six to one in a surprise attack, the officials say.

Because Western commanders can no longer count on effective infantry weapons to bridge the numerical gap, the odds against the West in a nonnuclear land war have lengthened appreciably, these officials assert.

Among those who regard the situation as serious is Major General Robert J. Smeeth, the director of a U.S. Army task force organized to study the situation.

"The problem began," he said in an interview, "when the Syrians

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Senior military planners of the North Atlantic Treaty Organization also contend that such weapons should be deployed in coming years to maintain NATO's defense credibility if intermediate-range, ground-based missiles are removed under the proposed U.S.-Soviet arms treaty.

Bonn's shift on the Lance, and the calls for increased reliance on offshore and airborne weapons, are the two most significant changes in NATO thinking on nuclear strategy to have resulted from the prospect that Washington and Moscow will agree to remove from Europe all their short- and intermediate-range missiles.

The developments reflect Bonn's feeling that its interests were sacrificed in NATO's internal debate in the spring over the proposed nuclear arms accord. Also reflected is a broader feeling among NATO military planners and West European conservative politicians that the treaty could weaken NATO's ability to deter a Soviet attack.

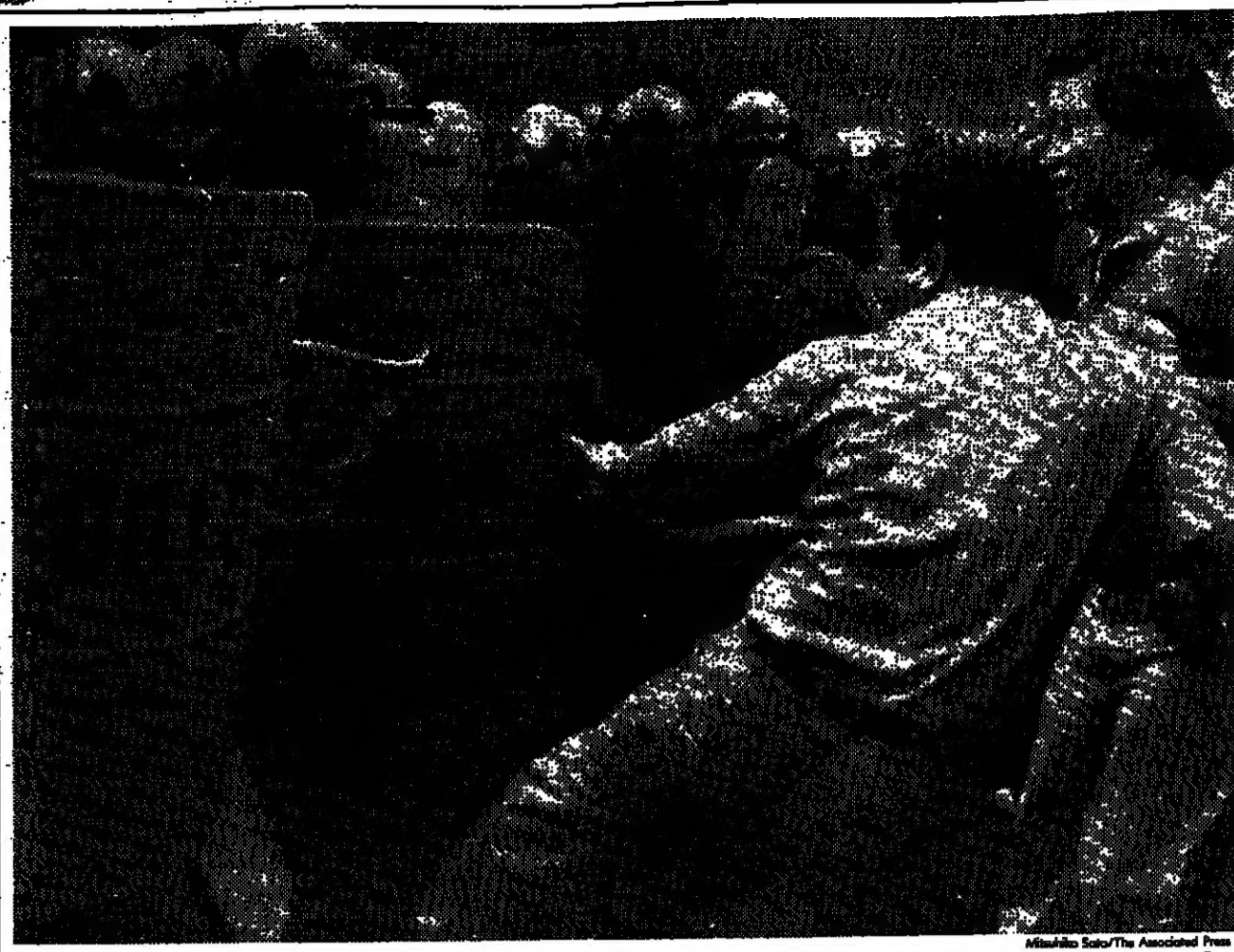
The Bonn government will resist deploying an updated version of the Lance, as agreed by NATO defense ministers in a 1983 meeting in Montebello, Canada, West German officials and political sources said. The government has not made a final decision on the project, they said, but sentiment has shifted strongly against it.

As part of an overall plan to reduce and modernize battlefield-range nuclear weapons in Europe, the ministers at Montebello agreed to replace NATO's 88 Lance missile launchers with an upgraded version. About two-thirds of the Lance missiles, which have a range of 70 miles (115 kilometers), are deployed in West Germany. The rest are in Belgium, Britain, Italy, and the Netherlands.

Bonn's new reservations are a result of the broadening of the planned U.S.-Soviet arms control agreement to include missiles with a range of 300 to 600 miles as well as missiles in the 600-to-3,000-mile range, the Bonn officials and political sources said.

West Germany resisted the

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Riot police facing off Sunday against hundreds of demonstrators outside the Anglican Cathedral in Seoul. The crowd was protesting a violation of church sanctuary last week when police entered the grounds seeking protesters.

## Cracks Appear in Seoul's Stony Wall of Police

By Fred Hiatt  
 Washington Post Service

SEOUL — For weeks, they have formed a wall of defense around South Korea's regime: row upon row of immovable riot police, faceless behind their black helmets, gas masks and shields.

In recent days, however, cracks have appeared in the wall, revealing tension in the ranks of what may be the world's most formidable nonmilitary fighting force.

On July 6, a 22-year-old riot policeman who allegedly disobeyed an order was punched to death on a police bus by a senior officer, the authorities reported. Human rights

officials in Seoul said it was not the first instance of riot police being killed or tormented into suicide by superiors.

At 3:30 A.M. Wednesday, a 23-year-old riot policeman who was drafted into the force two years ago deserted his post and went to a church human rights office, saying he had come to protest government policy. Officials said it was the first such desertion.

Wednesday night, 70 to 80 policemen stormed the office looking for the desertion officer, a church worker said. But the man, Yang Seung Kyun, had slipped away minutes before.

Before he fled, Mr. Yang said in

an interview that many of his fellow officers have little stomach for fighting students who are their contemporaries.

"Soldiers are supposed to be serving the country and protecting the people," said Mr. Yang, who was drafted into the army and then transferred to the riot police. "Instead, we are the front lines of their repression."

On June 29, after weeks of battles between riot police and demonstrators, the government summoned Koreans by agreeing to most opposition demands, including direct presidential elections and release of most political prisoners.

Mr. Yang said he had decided to

desert before the announcement and carried out his plan because he did not believe the authorities were serious about democratization.

Mr. Yang's description of life in the combat police barracks, along with the sketchy tales of beatings and suicides, provides a rare inside glimpse of what outwardly seems a perfectly disciplined force.

Although demonstrations largely ceased when the government promised reform, riot police were called into action at Yonsei University in Seoul almost every day last week. Yonsei students have been protesting the death of a classmate who

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## Poindexter Note Says Reagan Was Told of Diversion

By Fred Farris  
 International Herald Tribune

WASHINGTON — The chairman of the Senate committee investigating the Iran-contra affair said Sunday that investigators had "a vitally important document" in which Vice Admiral John M. Poindexter said "the president agreed" to divert profits from the secret sales of arms to Iran to pay for covert activities.

Senator Daniel K. Inouye said Admiral Poindexter had noted on a recommendation from Lieutenant Colonel Oliver L. North that "I approve your recommendation" on diverting the funds and "I have briefed the president and the president agrees."

However, Mr. Inouye denied that the document, dated Sept. 15, 1986, proved that Mr. Reagan knew of the diversion of the arms sales profits to the Nicaraguan rebels more than two months before the diversion was made public on Nov. 25, 1986. It is not known if Admiral Poindexter actually briefed the president, Mr. Inouye said.

The use of U.S. government funds for aiding the Nicaraguan rebels was barred by law at the time.

Admiral Poindexter, who resigned as President Ronald Reagan's national security adviser when the Iran-contra affair became public, is to begin testifying Tuesday at the hearing. Colonel North is to complete his public testimony before the committee on Monday.

"The question is: Did he brief the president?" Mr. Inouye said in a television interview. "He might either say 'Yes, I did,' or he might say that 'I falsified.'"

The questions then, Mr. Inouye said, "will be 'Why?'"

Mr. Inouye, Democrat of Hawaii, also said that because Colonel North destroyed documents some elements of the truth may never be known.

"There are documents that Mr.

Liman brought out, for example, that said I approve your recommendation — this is Poindexter advising North — I approve or disapprove," Mr. Inouye said. He checks 'approve' and underneath he says 'I

Europeans are impressed by Colonel North, but worried by the U.S. system. Page 6.

briefed the president, the president agrees."

Arthur L. Liman is the Senate counsel at the hearings, which are being heard by a joint House and Senate panel.

Mr. Inouye said he did not think the hearings "will end up with the impeachment of the president. I haven't seen anything as far as I'm concerned that would be sufficient grounds to impeach the president."

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## North Placed Spotlight on White House

By Joe Pichirallo  
 and David Hoffman  
 Washington Post Service

WASHINGTON — Before Lieutenant Colonel Oliver L. North testified before the congressional hearings into the Iran-contra affair, White House aides were confident that President Ronald Reagan would not be drawn into it any deeper, believing that the machine's damaged credibility would be further undermined.

But by week's end, Reagan aides admitted that Colonel North had been an unexpectedly good witness who did exactly what they wanted to avoid: He renewed attention on the role of his superiors, particularly on whether Mr. Reagan knew of the diversion of profits from the U.S.-Iran arms sales to aid the Nicaraguan rebels.

The heart of Mr. Reagan's defense is his repeated assertion that he was unaware of the diversion, and Colonel North did not directly contradict that.

However, the central theme of Colonel North's testimony all week was that everything he did was authorized by superiors.

His testimony significantly increased the importance of the next witness, Rear Admiral John M. Poindexter, the former national security adviser, who was Colonel North's immediate superior in the White House and the person between Colonel North and the president.

Congressional interrogators asked Colonel North about a series of meetings and conversations with Admiral Poindexter in which the two discussed the diversion. Colonel North also testified that he would not have gone ahead with the diversion as part of the Iranian arms sales without what he believed to be the specific approval of the president.

Based on his conversations with Admiral Poindexter, Colonel North testified, he felt that Mr. Reagan had approved the diversion. Those conversations, if confirmed by Admiral Poindexter, could lead to the president.

Colonel North, in what some committee members described as his most surprising revelation, testified that after Admiral Poindexter gave him the green light he wrote five memos between February and October 1986 seeking Mr.

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## ANC, Afrikaner Liberals Cite Accord, But They Differ on the Use of Violence

Compiled by Our Staff From Dispatches

DAKAR, Senegal — Liberal white Afrikaners and black leaders of the African National Congress ended three days of talks here Sunday, saying they had a shared commitment to fight the apartheid system but that they differed sharply on the use of violence against the South African government.

The meeting, which brought together more than 30 South African

whites and 17 leaders of the African National Congress, was the largest of its kind.

The ANC, founded in 1912, has waged a low-level guerrilla war against white minority rule in Pretoria since the group was outlawed by South Africa in 1960.

The visit was criticized strongly by some far-right groups in South Africa and by the state-run radio, but the government in Pretoria made no official comment about the visit.

In a joint statement after the meeting, the two groups said: "The main area of concern arose over the ANC's resolve to maintain and intensify the armed struggle."

The statement noted "a shared commitment towards the removal of the apartheid system and the building of a united South Africa."

Two unidentified white delegates declined to sign the statement, saying it came too close to endorsing the rebel position.

Frederik van Zyl Slabbert, a former leader of the liberal opposition Progressive Federal Party, said there had been "an extraordinary meeting of minds on a number of important issues." He was a principal organizer of the meeting, along with Danielle Mitterrand, whose husband is the president of France.

Thabo Mbeki, the information chief of the ANC and the leader of its delegation, said there was "consensus about important things," but debate about the movement's armed campaign against white rule. The delegation of whites, which

included politicians, writers, academics and businessmen, rejected charges by rightist whites in South Africa that the meeting with the ANC was an act of treason. The whites who attended the meeting have been threatened by far-right groups in South Africa.

In the past, the South African government has confiscated the passports of people who have met with the ANC.

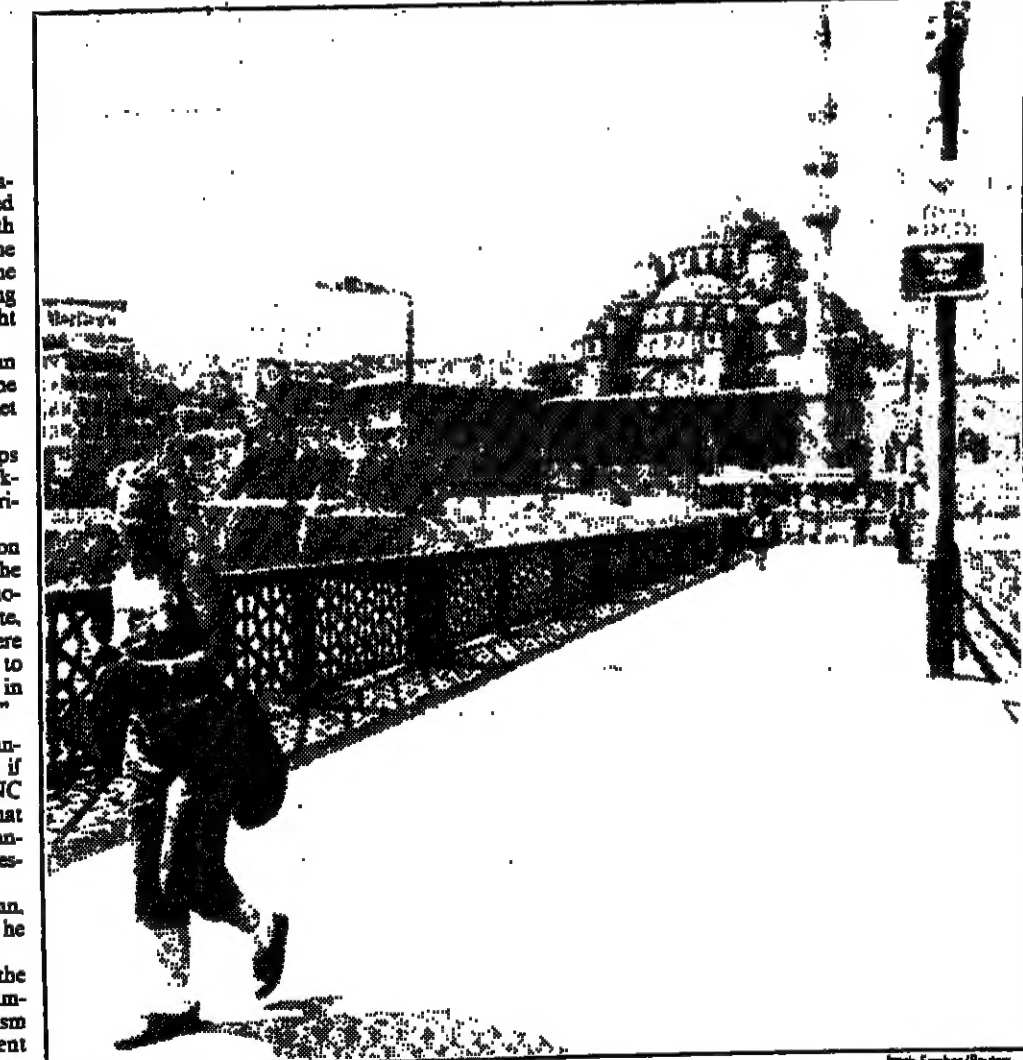
At the meeting, the two groups discussed what form a future black-majority government in South Africa might take.

"There was an acceptance on both sides that an economy of the future would be a mixed economy," Christo Nell, a white delegate, said at a news conference. "There was an acceptance of the need to enable people to operate freely in the pursuit of economic growth."

On the issue of whether "guarantees" would be made to whites if apartheid were ended, an ANC spokesman said it was "ironic" that "the victims have to give guarantees before the system of oppression can be displaced."

"The consequence of one man, one vote must be accepted," he said. Delegates at the meeting said the ANC made it clear that its campaign of sabotage and terrorism would continue until President Pieter W. Botha indicated a clear willingness to begin negotiations.

The whites are to fly on to Burkina Faso and Ghana before they return to South Africa on July 20. (UPI, Reuters, AFP)



A TOURIST'S DELIGHT IN TURKEY — A tourist in Istanbul had the Galata Bridge, normally a crowded spot, virtually to herself Sunday during a curfew imposed by the government in order to register Turks to vote. About 250,000 officials went door to door from 5 A.M. to 7 P.M., registering everyone 19 or older for a September referendum.

## New Mexico Shooting Echoes on West Bank

By Glenn Frankel  
 Washington Post Service

DEIR DIBWAN, Israeli-Occupied West Bank — When an Arab jewelry dealer shot to death two other merchants outside the El Rancho Motel in Gallup, New Mexico, last year, the gunfire echoed all the way to this small Palestinian town.

Both the killer, Frank Zayad Abdelhadi, and his victims, two brothers named Said and Sami Nassar, came from Deir Dibwan, which over the years has dispatched hundreds of its native sons to America.

Mr. Abdelhadi said he shot out of self-defense, and he was supported by witnesses. A New Mexico magistrate dismissed all charges, but back on the West Bank justice was neither so formal nor so forgiving.

The Nassar brothers came from Deir Dibwan's largest clan, while Frank Abdelhadi and his brother Suleiman, who was also involved in the fracas, came from another. The killings set off a vendetta that has resulted in a stabbing, an ambush and a two-town riot that brought out Israeli troops.

Mayor Yusuf Ghannam estimates that half of Deir Dibwan's population of 8,000 live in the United States at any one time. Some stay per-

manently, but many more go for 5 to 10 years to earn enough money to start a business upon their return, build a house and enjoy a better standard of living.

The hills around town are dotted with two-story villas on large, landscaped lots, monuments to the American dream transplanted to the Middle East. The children wear American T-shirts and sneakers.

The shooting in Gallup in March 1986 shattered this tranquility.

At that time the Nassar brothers, angered by a dispute over Indian jewelry, accosted the Abdelhadi, who were on their way to a funeral. Witnesses said the Nassars smashed a window of the Abdelhadi's car with clubs, at which point Suleiman Abdelhadi jumped out. When the Nassars began beating him, his brother Frank shot and killed him both with a pistol.

After the decision dropping the charges, the brothers vanished, but the Awadiah clan of the Nassars took its vengeance in Deir Dibwan.

The town's basic social unit is the *hamula*, an Arabic term for clan. There are three main clans in Deir Dibwan.

"The Koran says that a murderer must be murdered and when a murder takes place, the whole *awadiah* is disgraced," said Mr. Ghannam. "People felt they had to join hands to regain their honor."

Fearing revenge, the Saramahs sent out a call for mediation, and three days later, about 200 Arab dignitaries from across the West Bank journeyed to Deir Dibwan. Since the brothers had yet to be buried, no settlement was possible, but the Awadiahs were asked for terms to extend the armistice for three months.

The terms were tough. The Awadiahs demanded that the Saramahs stick to their neighborhood and not move freely through town except for children going to school and elderly to the mosque. All Saramah merchants with stores in the Awadiah part of town had to move out and the adult males of the immediate families of the Abdelhadi brothers, about 15 men in all, were required to leave town for a week.

The Awadiahs also demanded \$30,000 to cover the expense of flying the two bodies and caskets from New Mexico along with three escorts, and another \$6,000 as a penalty.

These conditions were met, but they were not

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## In the Ranks of the Rich, Nobody Tops the Japanese

The Associated Press

NEW YORK — Japan has overtaken the United States by yet another measure of success: It has more billionaires than any other country, and the world's richest person is Japanese.

Sam Moore Walton, founder of Wal-Mart Stores Inc., may well be the richest American, but there are several Japanese who are richer than him, and his fortune pales compared to that of the richest Japanese, Yoshiaki Tsutsumi, a real estate magnate.

While Mr. Walton's net worth is estimated at \$4.5 billion, Mr. Tsutsumi's is estimated at \$21 billion. Forbes magazine said in its issue released Sunday. It said he is probably the world's richest person.

Forbes published a list of 22 Japanese billionaires, saying there were probably many more. The United States, it said, had 21 billionaires, when families with more than one are counted as a single unit.

Mr. Tsutsumi, 53, oversees Seibu Railway Group, Japan's largest private landowner, whose assets include train lines, resorts, 24 golf courses, ski slopes, a professional baseball team and Prince Hotels. Fourteen of the 22 billionaires on Forbes's list owe the bulk of their fortunes to Japan's overheated real estate market. Among them are Takichiro Mori, Tokyo's biggest private landlord, who has a net worth of \$16 billion, and Shigeru Kobayashi, head of Furuya Co., which owns office buildings. His net worth is \$6 billion. Forbes said, Japan's land area is 3 percent of that of the United States, but its total land value, about \$8 trillion, is more than double the United States'.

## Kiosk

### French Assault Envoy, Iran Says

Reuters

LONDON — Iran said Sunday that one of its diplomats, Mohsen Aminzadeh, had been beaten unconscious by French border police on Saturday in the French part of the Geneva airport and had to be hospitalized for severe head injuries.

The Iranian news agency, monitored in London, said Iran's Foreign Ministry had summoned the French chargé d'affaires in Tehran for an explanation. In Paris, the French authorities had no immediate comment.



John Hammond, a record producer who greatly influenced U.S. popular music, died at 76. He is pictured here in 1947.

## GENERAL NEWS

■ Prime Minister Bob Hawke of Australia, after winning a third term, vowed to continue his economic program. Page 2.

## BUSINESS/FINANCE

■ Argentina plans a broad austerity program under a proposed \$1.4 billion agreement with the IMF. Page 13.



# Hawke, After 3d Victory, Vows To Continue Economic Course

By Michael Richardson  
International Herald Tribune  
MELBOURNE — The government will press ahead with restructuring the Australian economy, Prime Minister Bob Hawke said Sunday, the day after his Labor Party won an unprecedented third term and apparently increased its legislative majority.

The Labor government won the national elections at the expense of a divided opposition from the two main conservative parties, the Liberal and National parties.

John Howard, head of the Liberals, the largest opposition group, and Ian Sinclair, leader of the National Party, are expected to face challenges to their positions soon within their parties.

The official count in Canberra late Sunday, with five seats undecided, gave Labor 82 of the 148 seats in the House of Representatives, the lower chamber of Australia's Federal Parliament. The Liberal and National parties had 61 seats. Labor had a majority of 16 in the old House.

Political analysts said fighting within the ranks of the opposition for much of this year contributed to the Labor victory.

Officials said the results may not be known for at least a week because a large number of absentee and mailed votes had to be counted. The outcome of voting for the Senate will probably take longer to determine.

Mr. Hawke, a former trade union leader, also led the Labor party to victory in 1983 and 1984. He called this year's election nine months before the end of his term, at a time when many Australians are experiencing a sharp fall in living standards and the effects of government austerity.

He said in a television interview Sunday that he would soon announce changes in his cabinet, although he did not expect any of key economic portfolios to be involved.

In a speech July 6, Mr. Hawke said that if Labor were re-elected, it would restructure Australia's transportation system, increase manufactured exports, improve in-

dustrial relations and develop closer economic ties with fast-growing Asian neighbors, particularly China.

He said that unnecessary business regulations would be removed and no new taxes imposed.

Since 1983, Mr. Hawke and other pragmatists who dominate his ministry have largely abandoned the domestic and foreign policy commitments of the once powerful left in the Labor Party.

Analysts said that Mr. Hawke's government had moved Labor to the right in an effort to revive the Australian economy and capture the middle range of the electorate from the conservative opposition.

The Labor government, the analysts noted, had allowed the exchange rate for the Australian dol-

lar to float freely, had deregulated domestic interest rates, had opened the banking and financial sectors to foreign participation, and had begun selective denationalization of state-owned corporations and assets.

Shortly before Mr. Hawke called the election, a longstanding coalition between the Liberal and National parties at the federal level broke apart, largely because of pressure from Sir John Bjoelke-Petersen, the National Party premier of the state of Queensland.

Sir John demanded leadership and policy changes in both parties and ran his own candidates in the federal polls.

Mr. Howard of the Liberal Party said disunity had been a decisive factor in the opposition's defeat.



Prime Minister Bob Hawke of Australia with his wife, Hazel, and a granddaughter in Melbourne on Sunday, where he spoke to the press after he won his third term.

## U.S. Joined 1983 Plan to Lure Libya Into Air War

By Patrick E. Tyler  
Washington Post Service

CAIRO — Egypt was forced in 1983 by news disclosure in the United States to abort an attack on the Libyan Air Force after months of planning with Sudanese and U.S. intelligence services in a plan to trap Colonel Muammar Gadhafi, the Libyan leader, according to sources here and in Washington.

The joint operation, conceived and developed by General Nimeiri, the former Sudanese president, and his security forces, was designed to lure Libya into invading Sudanese airspace so that Egypt, Sudan's northern neighbor, could quickly counterattack.

Sources familiar with the operation said senior officials in Washington, Cairo and Khartoum agreed to the plan, which they hoped would wipe out as much as a third of Colonel Gadhafi's air force and deter him from destabilizing his weaker neighbors.

The plan called for Sudanese undercover agents, who had been acting as a pro-Libyan revolutionary movement in Khartoum, to seek Libyan military intervention to topple the pro-Western government in Sudan.

Once Colonel Gadhafi sent his bombers into Sudanese airspace, Egypt's large air force, guided by U.S. AWACS surveillance planes and, if necessary, by airborne U.S. tankers, was to launch a counterstrike against the Libyan force.

Although the operation was aborted after news disclosures about the movement to the Middle East of the Airborne Warning and Control System aircraft and the possible redeployment of an aircraft carrier task force, the covert deception and entrapment objectives of the 1983 episode have never before been revealed.

A White House spokesman, asked about the U.S. role in the operation, declined to comment. In Cairo, a spokesman for the Egyptian military command also would not comment. A spokesman for Mr. Nimeiri, who was deposed in 1985 and lives in Cairo, refused to discuss the operation.

In 1985 and 1986, the United States sent envoys on secret missions to Cairo to discuss whether Egypt might be willing to mount a military attack on Libya, but sources in Cairo and Washington said that the Egyptian leadership, especially President Hosni Mubarak, had cooled to the idea.

Sources said the effort against Colonel Gadhafi was one example of a joint U.S.-Egyptian military action that Mr. Mubarak

feared that Libya was about to begin an attack to overthrow the Sudanese government.

According to sources familiar with the operation, the planned attack on Libyan forces followed a "very sophisticated" deception operation initiated by the Sudanese intelligence service some months earlier.

As the operation developed, it was closely monitored and eventually joined and sup-

ported by the CIA and Egyptian military intelligence, the sources said.

By the time it matured in early 1983, it was being directed by Egypt's defense minister, Field Marshal Abdel-Halim Abu Ghazala, and had the approval of Mr. Mubarak.

In Washington, the entrapment of Libya's leader and the attack on his forces if they moved against Sudan were approved by President Ronald Reagan on the weekend of Feb. 12 and 13 and were being directed from the White House by William P. Clark, then the national security adviser and his deputy, Robert C. McFarlane.

The deception, according to sources, began sometime in late 1982 when Sudan's intelligence service set up its own pro-Libyan revolutionary "cell" in Khartoum. This cell, all of whose members were agents of Sudan's secret service, contacted anti-government dissidents and gradually opened a channel of communication to Tripoli, sources said.

The cell of double agents persuaded the Libyans that Mr. Nimeiri could be removed in a lightning coup, but only if Libya provided air support.

Senior officials in Washington, Cairo and Khartoum agreed to the plan, which they hoped would wipe out as much as a third of Colonel Gadhafi's air force and deter him from destabilizing his weaker neighbors.

was willing to undertake, but only on condition that the U.S. role remain secret.

Unwilling to be seen attacking another Arab state, Mr. Mubarak could justify an Egyptian counterstrike by waiting for Colonel Gadhafi to violate Sudan's airspace and then invoking a mutual defense pact that Egypt signed with Sudan in 1976.

The U.S. policy objective in supporting the planned strike, according to these sources, was to demonstrate to the Libyan leader that his attempts to subvert and intimidate his weaker neighbors in Africa would be met by force.

At the time, U.S. and Egyptian officials were worried that Libya, working independently or in concert with the Marxist regime in Ethiopia, might topple Mr. Nimeiri, threatening Egypt's southern flank and destabilizing Central Africa.

The 1983 strike was aborted when it was disclosed in Washington that the United States had sent AWACS planes to Egypt, and after ABC News reported U.S. military movements made in response to reported

port by the CIA and Egyptian military intelligence, the sources said.

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## WORLD BRIEFS

### U.S. Blocks a Shipment to Pakistan

PHILADELPHIA (AP) — A nation of Pakistan was held without a ship after the U.S. government blocked a shipment of 50,000 pounds (22 metric tons) of a special steel commonly used in making nuclear weapons to its homeland.

Abdullah Z. Pervez, who said he was purchasing the material for a private Pakistani fertilizer plant, was arrested Friday by U.S. Customs Service agents, authorities said. Mr. Pervez, a Pakistani citizen, reportedly had the general wanted a shipment of 50,000 pounds of the steel, Model 350, every four months.

Federal officials said the shipment was probably intended for an unprotected facility in Pakistan, which is not part of the Nuclear Nonproliferation Treaty and is prohibited from receiving such materials from the United States.

### Iraqi-Syrian Reconciliation Hinted

JERUSALEM (Reuters) — President Hafez al-Assad of Syria and President Saddam Hussein of Iraq are expected to hold a public reconciliation meeting this month in Damascus, Jordanian sources said Sunday.

Israeli sources said they had received strong indications that an Iraqi-Syrian rapprochement was under way, spurred by the Soviet Union's major arms supplies to both countries.

The Palestinian sources said the meeting was being arranged by King Hussein of Jordan in an attempt to end the Iran-Iraq war and pave the way for an Arab summit later this year. They said that Syria, one of the few Arab states that backs Iraq in the Gulf war, had been promised substantial aid from Saudi Arabia, Kuwait and other Gulf states if it cooperated in trying to end the war in the Persian Gulf.

reopened a pipeline through which Iraq could pump oil to Mediterranean ports.

### Police Seize 150 Hindus in Hyderabad

NEW DELHI (AP) — The police have rounded up more than 150 Hindus in Hyderabad state after a violent backlash to the arrest of a Hindu by a Sikh separatist last week, officials said Sunday.

Meanwhile, the police in neighboring Punjab state arrested 13 Sikhs on Sunday, including seven suspects of murdering a Congressman leader and four members of his family Thursday in Punjab, the Prime Minister's office said.

Those arrested in Hyderabad included Manohar Singh, a leader of the Environmental Movement, and Mr. Singh's son and two other family members of the Hyderabad state assembly, officials said in Chandigarh, the joint capital of Punjab and Haryana. They were accused of looting a Hindu temple in Punjab and of murdering a Congressman leader.

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### EC Ministers to Take Up Syrian Issue

COPENHAGEN (Reuters) — European Community foreign ministers are expected to consider an easing of EC relations with Syria when they meet Monday in Copenhagen for foreign policy talks. EC officials said Sunday.

The EC banned high-level diplomatic contacts as part of sanctions imposed on Syria in 1986 for its alleged role in an unsuccessful plot to blow up an Israeli airliner in London. But several West European governments have taken steps to ease the ban in handling Middle East peace talks.

British Foreign Secretary George Young said he would not meet Syrian Foreign Minister Assad al-Bustri when he visits London. In Bonn, the German Foreign Minister, Helmut Schmidt, reportedly resumed diplomatic contacts with Syria. Aid was suspended in November after Syria was implicated in a trial in a bombing in West Berlin.

### TRAVEL UPDATE

#### Door Opens on Romanian Airliner

STOCKHOLM (AP) — A Romanian charter airliner with 171 passengers aboard made a surprise landing at Stockholm's Arlanda Airport after a door broke open following takeoff from the airport Saturday, the Swedish national news agency reported.

Airport officials said the Soviet-built TU-154 belonged to the state airline, Tarom, and was destined for Constanta, Romania. Passengers reported that some luggage had been lost when the door opened and that a Swedish travel guide and a Romanian stewardess were forced to crawl away to escape the draft of escaping air.

China is to reintroduce flying, which had been banned on the ground that it was dangerous, as part of a drive to improve service to tourists. The People's Daily said. Drivers, translators, guides and other members of the service staff will be allowed to receive bonuses and tips.

Israel civil servants, communications employees, and hospital and railroad workers began a 24-hour strike Sunday to protest the government's refusal to re-evaluate salaries. International air traffic at Ben Gurion airport in Tel Aviv was suspended for about eight hours. (AP)

Banks in Cyprus were to close Monday after a two-week strike, but afternoon tourist exchange service will remain closed because of a continuing ban on overtime, union officials said Sunday.

Twenty-three persons were injured when the cruise ship from Barcelona to Cadiz, carrying 560 passengers, was decelerated Sunday near dawn in southern Spain, hospital sources said Sunday.

### This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and dependencies this week because of national and religious holidays.

MONDAY: France, Monaco, New Caledonia, Thailand.  
TUESDAY: France, Iraq, Monaco, New Caledonia.  
WEDNESDAY: Brazil.  
FRIDAY: Iraq, Nicaragua, Puerto Rico, South Korea.  
SATURDAY: Uruguay.

Source: Morgan Guaranty Trust Co., New York.

## Anti-Government Strike Paralyzes Bangladesh

DHAKA — A general strike on Sunday paralyzed Bangladesh for the third time in two months, forcing government ministers and members of the Parliament to sleep overnight in the assembly to attend a debate.

Banks, shops and businesses across the country were shut and roads were empty of trucks and buses. Hundreds of government employees had to walk to their offices.

"We did not organize even one picket line anywhere in the country and yet everything is at standstill today," said a trade union leader, Saifuddin Manik.

The 23-hour strike, from 6 A.M. Sunday to 5 A.M. Monday, was called by trade unions to protest a

government plan to transfer state industries to private ownership.

But the protest turned into a campaign to remove the president, Lieutenant General Ershad, who had been elected in 1985 after a major opposition party announced their support for the strike.

"People do not like him and he is there as the so-called leader of the people," said Sheikh Mujibur Rahman, an opposition leader in Parliament from the Awami League, at a rally Sunday night in Dhaka.

The previous two anti-government strikes were for a 10% wage increase.

Authorities banned all news of the strike from being carried in the press and foreign aircraft to Bangladesh were ordered to land at operations by 24 hours a day.

Parliament resumed a debate after government ministers and members of the assembly fled in the heavily guarded chamber. That debate was on a bill to include army personnel in the rural administration.

Opposition members withdrew in protest when the speaker, Ershad, banned them from the chamber. Ershad, who had responded to their challenge, was seen in the chamber.

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## Nyerere's Long Shadow Hangs Over Tanzania

Continuing Influence of Revered Former Leader Slows the Pace of Reforms

By Blaine Harden  
Washington Post Service

DAR ES SALAAM, Tanzania — All of Africa and much of the world applauded him when Julius K. Nyerere, the George Washington of this vast East African country, voluntarily stepped down as president.

His retirement in November 1985 moved many of his countrymen to tears. The peaceful end to the presidency of an honest man — reverently called *Mwalimu*, which is Swahili for teacher — stood in noble contrast to the coup, murders and midnight escapes that have ended the careers of other African rulers.

Now, nearly two years after Mr. Nyerere's graceful exit, many Tanzanians are again feeling strong emotions. The cause, this time, is again Mr. Nyerere — not that he is gone, but that he is not gone.

When he retired as president, Mr. Nyerere retained the chairmanship of Tanzania's ruling party. Since the Revolutionary Party of Tanzania is "the supreme organ of the state," Mr. Nyerere remained powerful. But he vowed to give up the chairmanship after two years and retire to his "nice little house" in the village of his birth near Lake Victoria.

Since February, however, Mr. Nyerere has delivered several impassioned speeches that have created widespread doubt about whether he will keep his word.

Africa's most articulate spokesman for socialism again has been deciding the International Monetary Fund and the "big capitalist powers" for trying to sabotage development in poor countries.

What makes this noteworthy is that under the new president, Ali



Julius K. Nyerere

Ali Hassan Mwinyi

Hassan Mwinyi, Tanzania's future has been linked to the free-market capitalism that Mr. Nyerere has spent his life decrying.

In 24 years as leader of Tanzania, Mr. Nyerere, 65, was probably black Africa's best-known orator and statesman. With passion and persuasive power, he traveled the world to advocate a fairer distribution of wealth among nations. His army purged Uganda of Idi Amin. Out of Tanzania's 130 ethnic groups, Mr. Nyerere's idealistic leadership forged one of Africa's most united, most peaceful nations.

But he also presided over — and is widely considered responsible for — the beggary of his country.

Mr. Nyerere's "African socialism" — collective farming, state ownership of business, abolition of private enterprise — turned a resource-rich land into a potholed ruin.

When Mr. Nyerere retired, he

acknowledged that he had carried socialism too far, had nationalized too many industries and had maimed the economy with centralization. His departure and administration of reform allowed his successor to turn Tanzania in a different direction.

Mr. Mwinyi quickly signed an agreement with the International Monetary Fund, whose free-market medicine always had struck Mr. Nyerere as "an instrument of destabilization in the Third World."

That agreement has led to several major restructurings of Tanzania's \$3.4 billion foreign debt. In Paris last week, 21 donor countries and leading agencies again showed their support for reform in Tanzania by pledging \$1.9 billion over the next two years, half of it in grants.

Mr. Mwinyi has established a farm-price policy that gives incentives to farmers to work hard. Last year, for the first time in a decade, Tanzania's economy grew faster than its population.

But Mr. Mwinyi's reform program, while showing promise, is

moving slowly, according to businessmen and Western diplomats.

Most of the ministers who were chosen by Mr. Mwinyi, a party politician who lacks his predecessor's charisma and clout.

Hangers-on from the Nyerere era are said to be dragging their feet on reforms that would take decision-making power — and bribe-taking power — out of their hands and boost the role of businessmen.

What keeps Mr. Mwinyi from firing these bureaucrats and accelerating the pace of reform is Mr. Nyerere's continuing influence as party chairman, analysts say.

Mr. Nyerere is widely acknowledged to have the political power to stay on as party chairman as long as he likes. In speeches this year, he has raised the possibility that he may indeed stay on and that he is not comfortable with capitalistic change in Tanzania.

In late May, Mr. Nyerere again attacked the International Monetary Fund, calling it "an instrument of the capitalist power" that was "bent on suppressing the weak developing countries by taking advantage of their poverty."

That speech raised many eyebrows among investors wary of a return to socialism and among Western donors, who have warned the Tanzanian government that assistance will dry up if the country does not continue the direction Mr. Mwinyi has set.

More recently, Mr. Nyerere qualified his remarks on the Monetary Fund, saying they were not meant as a criticism of the government's economic program. Instead, he said, the fund was "bent on suppressing the weak developing countries by taking advantage of their poverty."

But political observers say it remains questionable whether Mr. Nyerere, still a vigorous politician, will voluntarily relinquish all his power.

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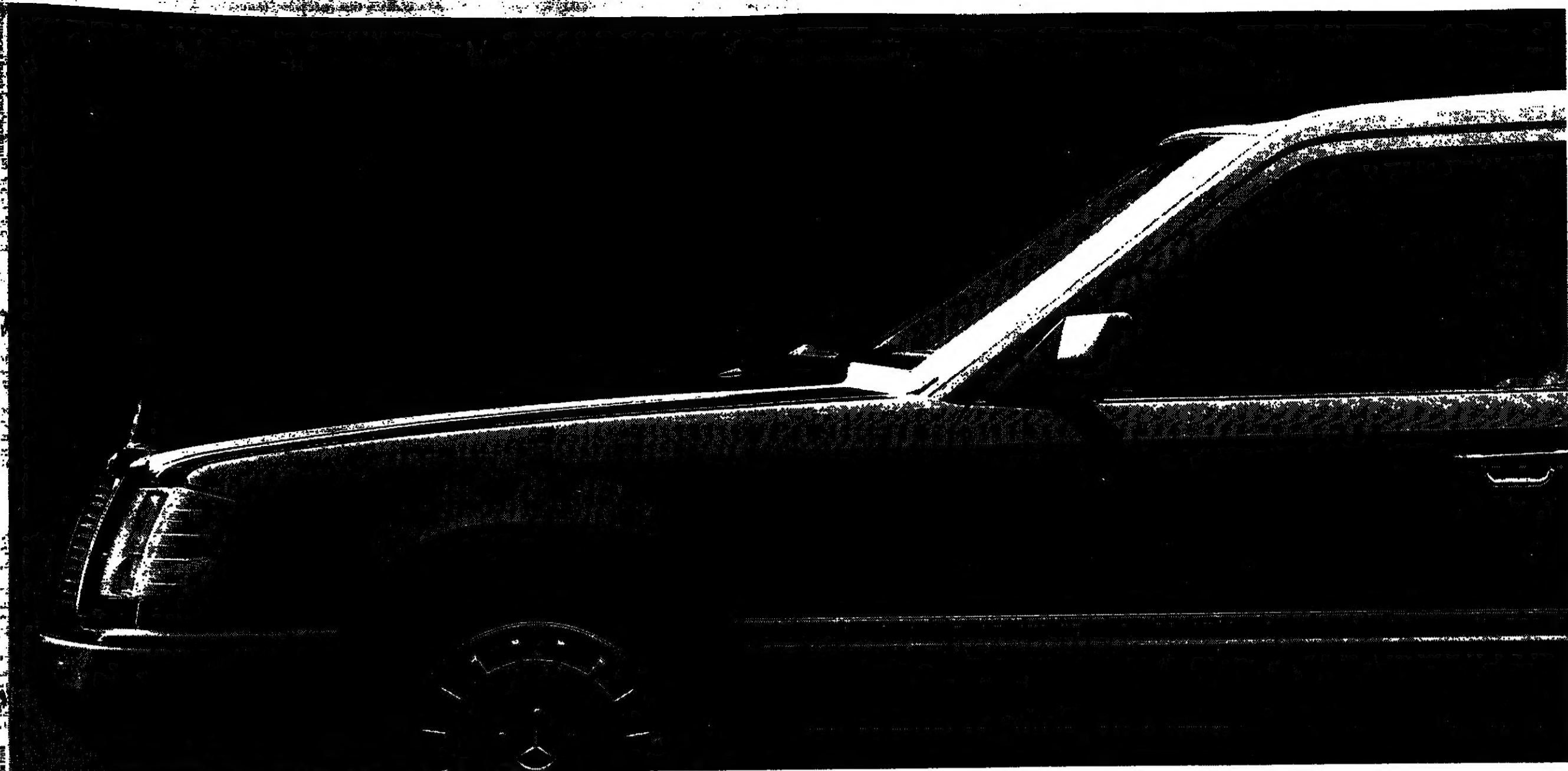
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## DAIMLER-BENZ GROUP

	1986	Change in %
Sales (in millions of DM)	65,498	+ 25.0
Domestic	27,838	+ 48.8
Foreign	37,660	+ 11.7
Cars	31,300	+ 9.6
Commercial Vehicles	17,747	- 12.2
AEG	11,069	-
Dornier	2,112	-
MTU	2,766	-
Car Production (units)	594,080	+ 9.8
Commercial Vehicle Production (units)	226,344	+ 5.8
Number of Employees (at year end)	319,965	+ 38.5
Domestic	257,538	+ 38.0
Foreign	62,427	+ 40.5
Personnel Expenses (in millions of DM)	19,358	+ 41.7
Fixed and Financial Assets	12,148	+ 19.0
Investments	5,580	+ 1.6
Depreciation Expenses	3,361	+ 2.6
Cash	14,668	+ 26.3
Stockholder's Equity	12,294	+ 25.8
Basic Share Capital	2,118	+ 24.7
Taxes on Income and on Net Assets	4,034	- 7.1
Net Income	1,767	+ 5.1

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We have confidence in the future. The achievements of the past confirm our resolve.





# Herald Tribune

Published With The New York Times and The Washington Post

## A New Topic for Talks

Throughout the dispute over medium-range nuclear missiles, the cry has been, "We in Western Europe can't cut our nuclear strength — not when the Warsaw Pact is stronger in conventional forces." Yet leaders have been unwilling to foot the bill for more men and weapons, and unable to negotiate a new balance with Moscow.

The unwillingness and the inability have not much changed, but NATO does have new negotiating opportunities. Perhaps the most promising is not a negotiation at all, but rather an invitation by Moscow for military experts to talk about aspects of each other's strategy that bother them most.

After almost 15 years, the Mutual and Balanced Force Reduction talks are winding down. The goal was to reduce troops in Central Europe, but the bargaining never even produced agreement on the number of Soviet troops. The negotiators struggled through endless complexity seeking ways around a powerful geographical fact: Soviet forces would be withdrawn only hundreds of miles to Soviet territory, but U.S. forces would be carried back home over an ocean.

By agreement, these desultory talks will close at year's end, to be replaced by a new forum under the aegis of the broadly based Conference on Security and Cooperation in Europe. This forum will involve all of NATO, including France. Instead of addressing only troops in Central Europe, the

new talks will look at conventional forces from the Atlantic to the Urals. As encouragement, the Russians have talked of "redressing" imbalances and "appropriate cut-backs" where advantages exist.

Still, the new talks will be far from easy. The West, while concerned about the changing situation in Europe, has reached no agreement on how to respond or what conventional force reductions to press for.

That is all the more reason to look at a third forum, one proposed several times by the Warsaw Pact and spurned, unreasonably, by NATO. The idea is to bring experts from the two sides together to discuss doctrine and strategy. What force components such as tanks most threaten the other side? What deployments make the launching of surprise attacks look likeliest?

The proposal responds to years of concern over what Western experts see as the Warsaw Pact's offensive posture. It could help both sides identify what they really want from conventional force cuts. The Western objection, that such talks would confer an equality that does not exist, is senseless.

The two sides share important incentives: to reduce both the level of confrontation and the cost of maintaining and modernizing conventional forces. Talks among experts could help make conventional arms reduction talks a little more fruitful.

—THE NEW YORK TIMES

## The Reason to Reflag

Almost everyone seems to agree that the Reagan administration has handled the reflagging issue badly. But that leaves the question of whether the reflagging of Kuwaiti tankers should proceed. We think it should, but there is a necessary condition. The administration should be made to demonstrate that it understands what it is doing, militarily and politically.

Politically, that means being able to convey a clear purpose. The administration has cited free navigation — but ships pass steadily, despite the shooting in the Gulf for the last three years, and Washington's countering Iraq's continuing attacks on Iranian shipping. It has cited the free flow of oil — although oil already flows freely. It has cited the modest new Soviet naval presence in the Gulf — a consideration that set it up for the Kremlin's booby-trap proposal that all non-Gulf states remove their warships. That leaves, among serious considerations, the purpose of keeping Iraq, which occupies Iraqi territory, from negotiating a fair peace and threatens all moderate Arab regimes from winning the war.

Reflagging is said to mark a tilt to Iraq. It happens to differ only in degree from steps already taken by the Soviets, the British and others to protect shipping of special interest to them. Free general navigation has not been "on" in the Gulf since Iraq shut down Iraq's ports early in the war. Iraq responded

by attacks on Iranian shipping to seal off Iran from the sea in the same way. Iraq counterattacked by hitting ships bound to and from Iraq's friends. This brought in non-Gulf protectors. Reflagging arises now as Washington seeks with Moscow to open negotiations at the United Nations to end the war. It can serve that diplomatic initiative. That is the essential rationale for reflagging. It awaits full American endorsement.

There are military risks — risks at least on the order of those already being faced, without much fuss, by the British and the Russians. Given the special circumstances, the risks may be greater. But they might be reduced if the American government conveyed as convincingly as possible that it would take seriously an attack on ships flying the American flag. Presumably that was why the navy, detecting Iraq's work on making its new Silkway missiles operational, launched warning planes from a carrier; for whatever reason, work stopped.

American arms should threaten no one in the Gulf. They should be available only for defense, reasonably defined, but they should be available. Within a context of care and firmness, it seems to us, the United States could reflag Kuwaiti tankers and promote a negotiation to help end a war that is only incidentally and in trivial measure a war at sea, but that is a terrible war.

—THE WASHINGTON POST

## A Rogue Government

At one point, Lieutenant Colonel Oliver North held his left hand aloft as if to pledge "scout's honor." The gesture typified the performance. Indeed, for a time it seemed that the dazzling political theater would obscure the content of the Iran-contra scandal. Viewers swamped the initial investigating committee with entreaties not to rough up this articulate scout-turned-marine.

According to a New York Times-CBS News poll, he is no hero to three out of four Americans. But he has acquired himself in the court of public opinion of the charge, leveled even by the president's men, that he was a rogue elephant making disastrous high policy without authorization. In effect, he has indicted the administration for rogue behavior.

For all his fervent loyalty to the president, the public seems to understand that he could not and would not have undertaken so vast an operation without higher authority. Only one in four Americans believes Mr. Reagan when he claims he did not know about the diversion of Iran arms profits to the Contras. Only one in four thinks the colonel acted on his own.

And when it came to the president's men, the colonel was not so reticent in his testimony. The witness told of how Secretary of State George Shultz clapped an arm of praise around his shoulder, and the colonel dropped the names of midlevel officials who helped him and sought his help. Did Elliott Abrams, assistant secretary of state for inter-American affairs, question him about contra involvement? "He didn't have to ask me," Colonel North spoke of meeting with officials like Assistant Secretary of Defense Richard Armitage and Alan Fiers

of the CIA. Some helped, some acquiesced.

Other adventures that once seemed the antics of a loose cannon have a new look about them. On a mission to Tehran, Colonel North and private arms merchants made wild representations about American intentions to go to war with the Soviet Union, to eliminate Iraq's chief of state, to create a Marshall Plan for terrorist Iran. The colonel cited authorization from his boss, Rear Admiral John Poindexter, the former national security adviser, who may have more to say about this when he testifies this week.

The testimony emphasized a large fact that should have been obvious from the very scope of the Iran-contra operation: It could not have been conducted by a rogue officer, even one in the White House. It required the participation of a rogue government.

Having invented the web of rogue government for one purpose, the participants then moved to institutionalize it. The scariest proposal that emerges from Colonel North's testimony is an idea warmly embraced by the late CIA Director William Casey: for a permanent slash fund to pay for troubleshooting outside of CIA channels. None of that inconceivable congressional supervision to contend with. Small wonder that Mr. Casey thought this notion was just as "neat" as the initial Iran-contra diversion.

Colonel North, good soldier, was so beguiling that it was easy to forget that a special prosecutor is drawing up charges. But he is not so good a soldier that he will take the rap alone. The week started as "Oliver's Story." It ended as "All the President's Men."

—THE NEW YORK TIMES

## Other Comment

### And Still the Tourists Come

It seems curious that one branch of government should choose to announce we have a national epidemic of drunken driving at the same moment another announces that more than 1,320,000 tourists came to Britain in April, 30 percent more than last year.

Tourists are nervous people, and just as we were beginning to recover from the threat of Libyan terrorists, government departments start shrieking about new and imaginary dangers as they jockey for the taxpayer's

money. The police proudly boast that muggings and knifings are now on an even keel; the National Health announces a raging epidemic of AIDS; the Department of Transport chips in with this totally invented epidemic of drunken driving, and Environment assures us that our inner cities are about to explode in an orgy of looting, rape and arson.

I should have thought it obvious, in the post-industrial, post-manufacturing state of Britain, that a large part of future success must be built on tourism.

—Auberon Waugh in The Sunday Telegraph

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## A Friend's Call to Charlie Glass's Kidnappers

By John K. Cooley

LONDON — I decided to address you directly, since I have been a close friend of Charlie Glass from the time we first met in Beirut in 1972. Since you have forced him to make a videotape falsely accusing himself of being a spy, my duty as Charlie's friend is to inform you, and everyone else who reads this, about who Charlie Glass really is. If you read with an open mind, you may realize how foolish and how harmful to your own cause is your abuse of an innocent man, which your Islamic faith forbids.

One of the English novelists whose books I was obliged to read in high school said, "Friendships begin with liking or gratitude." Mine for Charlie began with both, as the American University of Beirut (AUB) Most people like Charlie instantly. I was grateful to him, because in 1972, when he was still a student, his zest and enthusiasm for the eclectic life of AUB, on and off campus, which through violence you people and others have done so much to destroy, lured me back into academic life — even though by then I was a full-time journalist, who had supposedly left the classroom behind.

Charlie loved the shady, garden campus of AUB. It reminded him of his hometown, Los Angeles. It recalled Loyola High School and the University of Southern California, where he had just obtained his B.A. in philosophy before his first trip to Lebanon.

Charlie felt somehow at home in Lebanon. Perhaps it was because of ancestral memories transmitted by one Lebanese grandmother. Anyhow, he and the people of Lebanon seemed to understand one another. Charlie began to work for The Christian Science Monitor and ABC Radio News. They began to broadcast and publish his sympathetic reports about the problems of the Lebanese, gradually expanding to include other people: Palestinians, Israelis, Egyptians, Syrians. What preoccupied him and most of us, though, in the mid-1970s, was the Lebanese civil war, which had loomed slowly and then struck with the force of a hurricane in 1975-76.

Before it struck, Charlie had his Mideast baptism of fire in 1973, when President Sadat of Egypt and Assad of Syria made a partly successful bid to recover their territory lost to Israel in 1967, drawing America faithfully into the Mideast peacekeeping process. Charlie was there, working as a field producer for ABC television news.

Contrary to what you made him say in the shameful videotape you forced him to make,

Charlie avoided U.S. government agencies, especially the CIA. Once he said, "I suppose it would be great to support U.S. policy in the Mideast, if there were one to support."

Sometimes his readers or viewers would accuse him of bias. They were wrong. The only bias Charlie has is a pro-human bias.

During the terrible summer 1976 siege by the Christian Phalangists of the Tal Zaitar Palestinian refugee camp, which Charlie, myself and other colleagues covered together, Charlie in The Guardian of Aug. 13, 1976, after having described the horrors of the siege, rapped: the PLO for abducting a young Palestinian girl to

**Tell your superiors that they, and you, have made a terrible mistake.**

prevent her from joining the American Embassy's sea evacuation of Beirut.

Charlie would never willingly suffer a fool or a lie. Together, he and a Jewish, formerly student in Brooklyn, showed up the holes in a notoriously ill-informed, pseudo-historical book published in America, whose author used doubtful historical and biblical data. He loved a good scrap. He zealously wrote and answered letters to the editor when controversy erupted between American author Gore Vidal and his detractors a year ago, and between American Jewish intellectual Noam Chomsky and a host of Mr. Chomsky's opponents.

Charlie worked on newspaper assignments and documentary films in many parts of the Mideast and Africa. In Eritrea in 1975, he was tramped and rode camels across country, shunning the scouts and reconnaissance planes of the Ethiopian army. During much of 1977 and 1978, he watched decolonization happen in Rhodesia (now Zimbabwe) and Zambia, for the Chicago Tribune, the New Statesman, the Financial Times and The Observer.

After we all survived the Lebanese civil war, Charlie, who had acquired his London family by now, worked for London Weekend Televi-

sion. He proudly helped to produce a fine documentary film on "Tolan" in 1979. There followed a stint with Newsweek in Boston. He covered such hotbeds of CIA intrigue as New England and Canada. Your bosses in Tehran should have voluminous files on all that.

Charlie came back to ABC News, based in London, then Beirut, then London again. We were able to work together once more. During the April 1986 U.S. air raids on Tripoli, Charlie described a meeting with the family of a Lebanese girl student in London, who had flown home to see her parents in Tripoli — only to be killed by the American bombs that night.

Charlie's first love remained Lebanon. Last summer he explained to me his idea for a kind of sepia-style travel book in the manner of the 19th century gentleman traveler, about Lebanon, Syria, Israel and parts of Turkey. This was the Levant, which authors like Freya Stark, Richard Burton and Arab and Persian writers had described. He felt it was time to set down on paper how the old places look today. He was well along with this project when your gang took him and his friend, Ali Ouseiri, from Ali's car south of Beirut on June 17.

Far more than the events, it was the people of Lebanon — Muslims, Christians, Druze, whatever, in their beautiful but fractured and melancholy mountain valleys and seaports, who counted most for Charlie. Once in the midst of Lebanon's turmoil, he said to me, "This is a human tragedy past all imagining. Yet the sun comes up in the morning warm and good; the sea is bluer than anywhere else, and the bread is fresh and warm."

Some say! The statement you made him deliver gave itself, and you, away. As Charlie's friend Edward Mortimer wrote in the Financial Times, even on the absurd supposition that the CIA would have wanted to use Charlie, the central news have been chosen for the mission, to tie up relations between the Israeli and Christian society in Lebanon, as you made him say.

Tell your superiors that they, and you, have made a terrible mistake. Kennedy it, now. Show your respect for your religion and for the common ties between all human beings by sending Charlie home to his wife and five children in London, and by releasing all your other hostages, too.

The writer is a London-based staff correspondent for ABC News who specializes in his books and reporting on the Middle East and North Africa.

## Who Knows What to Do About Iran?

By Jim Hoagland

PARIS — "Strange climate," a Frenchman aboard a jetliner rising above Washington tells a fellow outboard passenger. The comment does not refer to the wilting heat of July. The departing visitor speaks of a slowly vanishing president, of a national preoccupation with Oliver North, Fawn Hall & Co., of a belated Congress — in short, of the disorder that the Iranian revolution and botched attempts to deal with it have spread through the American system of government.

What to do about Iran, about the cyclone of hatred and fanaticism that while out from his leaders, about the foreign hostages whose fate Tehran may control? Oliver North's testimony last week was not the only event to show that Western democracies as a whole have failed miserably in either confronting or co-opting Iran.

France and Iran are engaged in a tense standoff over French demands to question a suspected Iranian terrorist hiding in the Iranian Embassy in Paris. Iranian police surrounded the French Embassy in Tehran, where Minister Jacques Chirac, who will recently secondly to request a "normalization" of relations with Iran and the release of French hostages, threaten now in anticipation to break off relations altogether and has asked publicly when Iran would begin to respect international law.

Britain has completed the withdrawal of all but one of its diplomats from Iran, in a dispute that also has raised the specter of new diplomatic hostage-taking in Tehran.

Yet, back in Washington, Colonel North was walking through another version of what he easily slipped Hawk and TOW missiles to the army syndicate in Tehran who had blessed his taking of the U.S. Embassy in 1979. His peroration, the risks he took and his concern for the hostages justified everything, he seemed to argue.

That was the important difference in what was happening in the three capitals. Both the French and the British appear chastened by the lack of realism they showed in trying to work out separate accommodations with Iran's unrepentant revolutionaries.

French officials have concluded that it was pointless, and counterproductive, to try to negotiate with Iran's "fundamentalists." The Iranians, a senior official said, "have a superiority complex and want to see the Americans, the Russians and the rest of us on our knees before their revolution."

But in Washington, Colonel North's boasts on Capitol Hill and President Reagan's deliberate evasion of the chilling implications of the colonel's testimony suggest that the men who mounted and tolerated this scandal have not learned that lesson, in much else, from the shame and disaster visited on the White House.

Colonel North sought to concentrate attention on the "next idea" of fighting the Sandinistas with Iranian money, and on the very concept of covert actions, rather than focusing on his extraordinarily stupid, dangerous and self-defeating wheedling and dealing with Iranians who rejected in humiliating not just him but America itself. "I have offered the Iranians a free trip to Disneyland," he bragged. "I have given them American money, and on the very concept of covert actions, rather than focusing on his extraordinarily stupid, dangerous and self-defeating wheedling and dealing with Iranians who rejected in humiliating not just him but America itself."

"I have offered the Iranians a free trip to Disneyland," he bragged. "I have given them American money, and on the very concept of covert actions, rather than focusing on his extraordinarily stupid, dangerous and self-defeating wheedling and dealing with Iranians who rejected in humiliating not just him but America itself."

Ultimately, Mr. Reagan pays the price for this fantasy and for doing the one thing even he could not get away with: in mounting a covert operation to send arms to Iran, he lied to his own constituency. He used secrecy to fool the people who had voted for him to do just about anything but send the ayatollahs.

One way Mr. Reagan pays for this is in the confusion and controversy that surround the "unauthorized" White House plan to reflag 11 Kuwaiti tankers with the Stars and Stripes. It is a modest proposal that in itself should not cause the handwringing now being observed on Capitol Hill.

But there is legitimate suspicion that the White House is advancing the reflagging operation as yet another inadequate answer to that much broader question of what to do about Iran. As the Iranian attack Thursday on a tanker heading for Kuwait was undoubtedly intended to emphasize, it is a plan that leaves Iran with the initiative. But in Washington's "strange climate," Congress can do no more than watch, like a cat stung by a snake, as the administration schemes further into harm's way.

The Washington Post

## Maybe a Pardon for North, but He Forgot His Duty

By James Reston

WASHINGTON — You have to give Colonel Oliver North credit — millions of it. He not only can shed the Constitution, but also stand in the president's signature on a pardon would be decisive.

He would not even have to wait until the special prosecutor managed to indict or convict Colonel North. President Ford pardoned ex-President Nixon before he could be brought to trial. Mr. Reagan could do the same.

The hearings have not found a "smoking gun," although the hall was full of smoke. Sooner or later, television dominates everything in Washington, and Ollie is the suspect at since Mickey Rooney. It is hard to imagine any prosecutor putting to-

gether a jury that would convict him, and even harder to imagine President Reagan permitting it if any jury tried.

But what Colonel North is not on trial and may never be, the Constitution of the United States and the relationship between the executive and legislative branches of the government are very much on trial.

The Constitution not only gives the president the power of pardon, it instructs him to "take care that the laws be faithfully executed." His failure to do so in the Iran-contra case is precisely the cause of this whole hallelujah.

The hearings have paid so much attention to what the president knew or didn't know about the diversion of funds that they have almost ignored his failure to see that the law forbidding aid to the Contras, which he signed, was faithfully executed.

Even Colonel North testified that he was surprised to hear that the president had said he did not know his National Security Council was engaged in this covert military operation. Mr. Reagan's failure to know what the NSC was doing is in many ways worse than if he did know — but it is not good television.

Colonel North's view of the roles of the executive and Congress in the conduct of covert operations was stated with the utmost candor. He regards Congress as an impediment if not a nuisance in the world of dirty tricks.

It did not bother him a bit that not a single member of Congress or any other elected official knew a single thing for months about his antics, or that the president approved selling military arms to Iran and trading them for hostages after proclaiming publicly that he would do neither.

By Arkady N. Shevchenko

## With or Without Gorbachev, Reforms Are Coming

WASHINGTON — Predictions that "experts" offer about Soviet affairs are often misleading. One main reason is the obsession with individual personalities. A kind of Mikhail Gorbachev cult of personality has sprung up in the West, clouding the ability to see the forest for the trees.

Clearly, Mr. Gorbachev's personal imprint and influence on perestroika (restructuring) is highly visible and should not be underestimated. But recognition of the need for serious change is not his invention.

In the early 1970s, when I was an adviser to Foreign Minister Andrei Gromyko, a number of frightened people in the party and government elite — including some in the KGB and the military — were distressed by mounting social and economic troubles. Their instinct for survival told them that the efforts of Leonid Brezhnev's clique to gloss over a steadily declining — except for the spectacular military buildup — could lead to disaster.

Later on even more members of the elite became concerned that social and economic stagnation, complemented by the population's inertia, apathy and cynicism, would undermine the foundation of the Soviet system — indeed,

that the future of that system would be at stake and, along with it, their own positions and privileges.

An urgent need to keep the regime viable dictated national renovation. Thus, the selection of someone more or less like Mr. Gorbachev as leader was as inevitable as Nikita Khrushchev's de-Stalinization program.

From the Soviet viewpoint, restructuring could mean many things: provided the essence of the system is preserved. Under party control, Soviet-style socialism may well take contradictory forms: less freedom or more; stronger, more orthodox indoctrination or increased flexibility in cultural and political life and in ways of running the economy.

The paths chosen by China, Hungary, Yugoslavia and other Communist countries exemplify the possibilities. It is too early to tell if any of these examples will be used as a guide, but the program of reforms seems to point toward Yugoslav-style variations in socialism.

The task of substantially modifying an economic order firmly entrenched over half a century will involve Sisyphus labor. There can be no doubt that there will be backward and forward movement over a longer period of time than Mr. Gorbachev would like to anticipate. There may be dangerous, perhaps unexpected resistance: Will he be given time in which to bring even a small part of his program to fruition?

I do not think Mr. Gorbachev is yet the emboldened leader, so that some recent reports might suggest, nor that he is doomed to fail because of having no position intrinsic to the system. At best, however, his chances for quick, significant success are no more than 50-50. He understands this, and that is why he is a man in a hurry. He knows he may not survive politically if, in two or three years, there is no real improvement in national economic performance or in the well-being of the people, as he has repeatedly promised.

One thing works in his favor that many Western newsmen do not seem to have taken into consideration: It is simply not credible that any future Kremlin leaders would be willing to preside over the Soviet Union's decline into a third-class power. No setbacks, temporary or not, can, in the end, stop the crush of modernization and other forms of modernization. Trying to block the introduction of new technologies would be as futile as counting the stars.

This situation has already created an enormous dilemma, because such developments force less secrecy and more openness in releasing statistical and other important data.

Introduction of videotape systems, along with the telecommunications revolution, will inevitably increase the flow of information from the West. The growing, inseparable links between the Soviet and world economies will push the country irresistibly toward more reforms. Mr. Gorbachev, who is aware of this, is trying to reconcile party demands with the need to adapt to the future. The frightful some of the old guard, but not most of the young people.

A return to Stalinist-type KGB terrorism is hardly conceivable, for the KGB as well as the military and the party apparatus have learned that, as under Stalin, they would most likely be the first victims of a new terror.

Thus, no matter what radical or hybrid reforms finally emerge, the changes that Mr. Gorbachev has set in motion are irreversible — whether he survives as leader or not.

The writer, now an American citizen, was a Soviet diplomat and an undersecretary-general of the United Nations before he sought political asylum in the United States in 1978. He contributed this column to The New York Times.

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: Plotters in Cairo

CAIRO — The discovery of the plot to assassinate the three most established personages in Egypt — the Khedive, Lord Kitchener and Mohamed Said Pasha, the Prime Minister — has given rise to much comment. There is not much evidence that the secret society that has been unearthed has any wide ramifications. Beyond a few youthful students, it does not include any person of importance. The plot was discovered owing to one of three men being overheard to say, in a café, that he had established a secret society with the object of getting rid of the "enemies" of Egypt. The police was informed and watch was kept over the conspirators' movements. For some time Lord Kitchener and Said Pasha were persistently followed by Ahmed Taha el Araby, one of the prisoners. This same El Araby had been shadowing the Premier.

### 1937: A Battle in China

SHANGHAI — Heavy fighting broke out again [on July 12] between Chinese and Japanese near Wanning, seven miles west of Peiping, with about 4,000 troops engaged altogether. The campaign was heard in Peiping, where the population and indoors most of the day. "Tokio dispatches report that the Japanese government continues to regard negotiation as 'very grave,' due to 'repeated demonstrations of bad faith by the Chinese troops.' 'Tokio has sent Nanjing a final warning that if the 'acts of provocation' by Chinese troops do not cease immediately, the Japanese Army will take 'all necessary measures.' 'Nanking's report was that 'the events of the last few days furnish strong evidence that the Japanese government is looking for a pretext to make a second March into Northern China.'

هنا من الأهل



## Opposition In Panama Vows to Step Up Protests

By Stephen Kinzer  
New York Times Service

PANAMA CITY — Opposition leaders vowed over the weekend to continue increasing their protests against Panama's military leader, General Manuel Antonio Noriega, whose police have resorted to tear gas and bullets to reassert his authority.

Using highly unusual tactics for Panama, riot policemen arrested more than 100 demonstrators and scattered thousands of others who tried to hold a rally on Friday in defiance of a government ban.

Protest leaders already have begun to discuss alternatives for a post-Noriega regime, amid signs that the government's political coalition was weakening.

Some U.S. officials reportedly are worried that a period of dangerous instability could follow the general's departure if he is forced from office.

General Noriega minimized the importance of the protest Friday, asserting that it involved no more than 5,000 of the country's 2.5 million people. The minister of government and justice, Rodolfo Chiari de León, said political demonstrations would be prohibited "for as long as current circumstances exist."

The rally Friday was to have been held at a church that faces one of the capital's main avenues. But police carrying plastic shields and wearing gas masks sealed off streets leading to the church. As demonstrators approached, waving white flags, shouting insults and at times throwing rocks, lines of policemen repeatedly charged at them.

A senior opposition leader, Arnulfo Arias Madrid, who many contend was the true winner of the 1984 presidential election, accused the military of unleashing "brutal repression" against citizens "armed only with their consciences and their convictions."

The general and his backers have portrayed the protests as fomented by the United States and by wealthy pro-U.S. Panamanians who are seeking to return to positions of power they lost when the military seized control 19 years ago.

The ruling coalition was shaken this week by an unexpectedly strong public declaration by the civilian vice president, Rodolfo Esquivel, who heads the Liberal Party. He condemned his own government for closing news outlets and sending "paramilitary" groups made up of extreme leftists to attack people and property.

In the United States, the State Department and Congress have criticized General Noriega's rule recently, but there appears to be concern in the Pentagon about the direction Panama could take if General Noriega is forced to leave power. There are nearly 10,000 U.S. troops based in Panama, and many sensitive intelligence operations are directed from U.S. bases along the Panama Canal.

"The American military people say that the most organized group in Panama is the defense forces," said a businessman who is in regular contact with senior U.S. officials. "Their position is that Noriega is all they've got. They don't want to go through a period of change that could be painful, embarrassing and threatening."

A court spokesman said the hearing was only "to formalize" Mr. O'Connor's dismissal, which occurred Friday.

Mr. O'Connor said he found Mr. Demjanjuk a retired auto worker from Cleveland, "crestfallen" and "confused" at their last meeting. The attorney, who has represented Mr. Demjanjuk for five years, said he would not withdraw from the case unless there was a court order.

A court spokesman said the hearing was only "to formalize" Mr. O'Connor's dismissal, which occurred Friday.

## AMERICAN TOPICS



SHARING VIEWS WITH SOVIETS — Gerald R. Ford, second from left, meeting with a Soviet delegation at his home in Beaver Falls, Colorado, to talk about drug and alcohol abuse. The Soviets, ending a three-week tour of the United States, were, left to right, Katherine Menshikova, Konstantin Vorozin and Alexei Kampov-Polero.

Kalb, a former diplomatic reporter for NBC News who is now with Harvard's Kennedy School of Government, will interview each candidate for half an hour and then the candidate will field questions from the campus audience. The objective, reports The New York Times, is a setting that will be forgiving of gaffes but hostile to sloganeering. "But if somebody wants to engage in long-windedness," said Paul Bogard, an organizer, "that's a judgment that's his to make."

Wall Street financial houses are offering salaries of up to \$100,000 to people winning master's degrees in business administration at the leading U.S. graduate business schools. But industry is showing less interest in MBAs, according to U.S. News & World Report. The trend reflects current criticism of U.S. business as concentrating too much on paper trades and not enough on manufacturing. The schools have taken notice. The Massachusetts Institute of Technology's new engineering and management program is one example. Harvard is de-emphasizing investment

banking in favor of technology and production.

### Notes About People

Senator Albert Gore Jr. has run on his own in his campaigns for Congress since 1976 with no help from his father, who served 32



Albert Gore Jr.

years in the House of Representatives and the Senate before being defeated in 1970. "He wanted to be his own candidate, his own man," said the elder Mr. Gore, 79. But now that the younger Mr. Gore, 39, is running for president, his father is accompanying him on campaign trips. "Running for president is a little different," Mr. Gore Sr. explained.

Eleanor Smeal says she is stepping down as president of the National Organization for Women when her term ends this month, because she wants to devote more time to getting women into politics and politicians more aware of women's issues.

After Kris Kristofferson, 51, gave a benefit concert for Vietnam veterans in Albany, New York, he was presented with a plaque. The plaque was found by a cleaning worker the next day in a pile of trash in Mr. Kristofferson's vacated dressing room. A Kristofferson spokesman said the plaque "ended up in the garbage by mistake."

— ARTHUR HIGBEE

## After Haiti Unrest, a Stalemate

Fate of Presidential Vote, Set for November, Is in Doubt

By Joseph B. Treaster  
New York Times Service

PORT-AU-PRINCE, Haiti — After more than three weeks of turmoil, a political stalemate has developed in Haiti with the country's march toward democracy stalled and the fate of its presidential election in question.

For the moment, no one is saying that elections will not be held in November, as scheduled. But, neither does anyone know how the elections will be conducted and whether participation will be extensive enough to validate them.

In the 18 months since the collapse of the Duvalier dictatorship, Haiti has stumbled from one crisis to another. But never before have so many different segments of society lined up in opposition to the military leaders.

The United States backs the military government led by Lieutenant General Henri Namphy, and that has fueled a new outbreak of anti-Americanism.

A handful of young men burned an American flag Saturday in front of the U.S. Embassy in Port-au-Prince, and protesters marching in one of the biggest demonstrations in months chanted, "Down with American Long live communism!" Many of the marchers said that they were anti-communist, but that they believed a show of support for

communism was a way of telling Washington its alignment with the regime was turning friends into enemies.

"If they're going to support the government, we're going to try communism," said Maggie Audant, 29, a nurse.

The Haitian generals have always seemed to be bad managers and have never been good at ex-

### NEWS ANALYSIS

plaining themselves to their countrymen. But they utterly dumfounded Haitians and foreigners as well when they brought on the present crisis by abruptly taking control of the election process on June 22 and dissolving a labor federation the next day in apparent disregard for the spirit if not the letter of the new constitution.

The uproar was predictable. Nearly everyone in Haiti professes to want the next leader to be chosen in fair elections and nearly everyone expresses fear that the elections will not be fair.

The constitution is so loaded with protections against dictatorship that many leaders wonder if it can work. Many Haitians thought in June that they were witnessing a power grab.

The generals rescinded their decisions within a week, but the ini-

tial clamor was superseded by demands that they step down on the ground that they could not be trusted to follow the constitution.

Washington is not saying that it will support the generals no matter what. But it is saying that a change in government now would probably lead to more confusion and almost certainly delay the voting.

In the past, just as the country has seemed on the brink of disintegrating, the steam has gone out of the protests and the military leaders have inched ahead on their promises to usher in democracy.

The present protests may be losing steam also. The nationwide strikes last week were not as effective as those a week earlier, and a memorial Thursday for the more than 20 victims of soldiers' gunfire during the strikes drew only a small crowd.

But the resignations of a handful of provincial officials in protest to the government, and a turnout of more than 10,000 marchers in the capital Saturday, indicated that the crisis had not yet run its course.

The leaders of the protests have said they will give the generals until Monday to resign. The generals have ignored all requests for discussions and the protest leaders concede privately that they do not know what they will do if the generals continue to do so.

## Weizsäcker Visit to Soviet Underscores Sensitivities as It Made Progress on Ties

By James M. Markham  
New York Times Service

BONN — A six-day visit to the Soviet Union by President Richard von Weizsäcker of West Germany appears to have opened the way for increased high-level contacts between Moscow and Bonn, according to West German officials and Western diplomats.

But the trip, which ended Saturday, also has underscored sharpened Soviet sensitivities to the issue of German reunification and suggested that it will be some time before Moscow regards its relations with Bonn with anything like the equanimity it accords ties with London and Paris.

At a news conference on Friday, Chancellor Helmut Kohl praised Mr. von Weizsäcker and his Soviet hosts for having reached "a mile-

stone on the way to understanding." He also expressed the hope that Mikhail S. Gorbachev would visit Bonn early next year.

The Soviet leader has visited London and Paris, and he has received British and French leaders in Moscow. But Mr. Kohl, who was a key figure in the deployment of U.S. medium-range missiles in Europe, has been confined to a kind of Soviet diplomatic doghouse. The Soviet press witheringly criticized him this year for having compared the public relations skills of Mr. Gorbachev to those of Josef Goebbels, the Nazi propaganda chief.

The carefully negotiated visit by Mr. von Weizsäcker, whose position is broadly ceremonial, was clearly seen by both sides as an occasion for formally turning a new

page. In Moscow, Mr. Gorbachev conveyed his "cordial greetings" to the absent Mr. Kohl, and although no date was fixed for a visit by the Soviet leader, Mr. Genscher and Foreign Minister Eduard A. Shevardnadze agreed to meet in Bonn in the fall. The stage is slowly being set, it appears, for a Gorbachev-Kohl meeting.

Yet the inherently taut and mistrustful nature of the Moscow-Bonn relationship was signaled when the Communist Party daily Pravda broke with Mr. Gorbachev's policies of glasnost, or openness, and censured Mr. von Weizsäcker's centerpiece dinner toast.

The passages deleted included a reference to the hope that more German-speaking Soviet citizens would be allowed to emigrate and a long section in which Mr. von Weizsäcker insisted that "Germans today in east and west live separated, but they have not ceased and will not cease to feel themselves to be one nation."

Like the French, the Russians appear to have been perplexed and upset by a recently revived discussion in Mr. Kohl's Christian Democratic Party on the unresolved German question.

In his talks with the German president, Mr. Gorbachev said that the German question was no longer "open," that the existence of two German nations was a fact.

**Pilot's Release Cited**  
Mathias Rust, the West German pilot who landed his light airplane May 28 at Red Square in Moscow, will be released from prison and returned home "in the near future," according to Die Welt newspaper on Sunday. The Associated Press reported in Bonn.

The Soviet Union, in a message from "Kremlin authorities" delivered to Mr. von Weizsäcker, said the 19-year-old pilot was being treated well and would be returned home soon. Die Welt reported.

## Salvadorans Assert Rebel Documents Detail 'Insurrection' Plan for Capital

By William Branigin  
Washington Post Service

SAN SALVADOR — El Salvador's Marxist-led guerrillas, in a shift of strategy, are stepping up activities to incite an "insurrection" in the capital and prepare for a national "strategic counteroffensive" in the next two years, according to rebel documents said to have been captured by Salvadoran security forces.

The documents, according to the security forces, were captured in raids in April on "active safe-houses" of the Farabundo Martí National Liberation Front.

The front, known as FMLN for its Spanish initials, is the umbrella organization of the guerrillas, which are in their eighth year of war against the government.

The documents appear to indicate that the rebels previously announced objective to intensify insurgent activities in the capital has been carried out.

The documents were captured in raids in Ayahuapetque, on the northern outskirts of San Salvador, and in Tonatepeque, in the eastern part of the country, according to the Salvadoran military.

The plan outlined in the documents calls for a series of increasingly aggressive activities in conjunction with certain labor, humanitarian and refugee organizations that the government of President José Napoleón Duarte has denounced as rebel "fronts."

One document discusses continuing military actions by Farabundo Martí guerrillas with "insurrectional" activities by civilian organizations.

It outlines plans for intensified labor strikes, sit-ins, marches, land takeovers, infiltration of the armed forces, protests in front of the U.S. Embassy and the presentation of specific demands to the government and the public.

The documents also outline involvement by several groups that are not mentioned by name.

A member of the Democratic Revolutionary Front, which is allied with the Farabundo Martí front, did not dispute the authenticity of the documents this month when shown a transcript of one key paper that appears to be from the Farabundo Martí general command.

But that rebel group member expressed concern that the guerrillas were "overestimating" their capabilities and closing off opportunities for a political solution by developing plans for an "insurrection."

In the past, rebels and their supporters have denounced as fakes other documents that were said to have been captured by the military.

President Daniel Ortega Saavedra of Nicaragua, in a recent interview with the Mexican newspaper

Excelsior, acknowledged that weapons had been sent to the Salvadoran rebels for a time shortly after the Sandinistas took power.

He indicated some supplies for

One of the documents outlines plans for intensified labor strikes, sit-ins, marches, land takeovers, infiltration of the armed forces and protests at the U.S. Embassy.

The Farabundo Martí front may still be passing through Nicaraguan territory without the government's knowledge. He denied, however, that Nicaragua has any policy now of supplying the Salvadoran rebels.

None of the recently captured documents makes any reference to foreign arms supplies.

The authenticity of the documents, the National Union of Salvadoran Workers and the Committee of Mothers, have denied that they have any links with the Farabundo Martí front.

The workers' union — a leftist labor federation that includes student, peasant and refugee groups — last month denounced as a "dirty and criminal section of the

government" the portrayal of the organizations as fronts of the rebel groups.

A spokeswoman for the Committee of Mothers, which is known as Comadres, said: "We don't have any relationship with the FMLN. Our work is neutral."

The spokeswoman, Marlene Perez, charged that information linking organizations such as Comadres to the rebel groups came from false confessions that had been extracted from political prisoners under torture.

Mrs. Perez said she knew nothing about the captured documents, which she described as "armed forces calumnies."

Comadres, which was formed in the 1970s, has won international attention for its work in denouncing rightist death squads.

Of the more than 60,000 Salvadorans said to have been killed since the civil war began in 1979, an

estimated 40,000 are believed to have been murdered by death squads.

The headquarters of the Comadres committee has been the target of several attacks.

Violence broke out between security forces and protesters in San Salvador last Wednesday when about 100 members and supporters of a Social Security workers union, some of them armed with clubs, tried to occupy the Institute of Social Security building and clashed with police guarding the site, news agencies reported at the time. The Social Security workers union is a member of the National Union of Salvadoran Workers.

When police outside the building fired in the air to disperse the crowd, police inside apparently thought they were under fire and began shooting wildly, news agencies said. About 20 persons were reported wounded.

When police outside the building fired in the air to disperse the crowd, police inside apparently thought they were under fire and began shooting wildly, news agencies said. About 20 persons were reported wounded.

## John Hammond, U.S. Record Producer and Talent Scout, Is Dead at 76

New York Times Service

NEW YORK — John Hammond, 76, a critic, talent scout and record producer whose musical discoveries ranged from Billie Holiday to Bob Dylan and Bruce Springsteen and who had an extraordinary influence on American popular music, died Friday at his home in Manhattan.

Over the course of a career that spanned nearly half a century, Mr. Hammond was directly responsible for bringing Holiday, Count Basie, Teddy Wilson, Charlie Christian and Aretha Franklin to public attention, and he supervised the last recording sessions of Bessie Smith, the celebrated blues singer.

It was Mr. Hammond's idea to form the Benny Goodman Orchestra, and he organized the historic

"Spirituals to Swing" concert at Carnegie Hall in 1938.

Amid considerable corporate resistance, he signed a young, unknown folk singer named Bob Dylan to Columbia Records in 1961. And in 1972, when he was in his 60s, Mr. Hammond had the prescience to recognize talent in Mr. Springsteen and to offer him his first recording contract.

Mr. Hammond was a champion of racial equality, and his love for jazz and blues helped to elevate black music from segregated clubs and small, poorly distributed "race" record labels and bring it to a wide audience.

"Everything I was trying to do in the music business was connected to my attempt to rectify the wrongs

that had been done to American jazz and black people," he said.

In 1979, he said: "One reason I'm the way I am is that I got to know Harlem. Upper-class white folks went up to Harlem in the '20s, slumming. I went out of passion. Anyone who did that had his life changed."

He arranged recording dates with racially mixed groups at a time when such arrangements were unheard of. When he introduced Mr. Wilson to Benny Goodman and they formed the Benny Goodman Trio, which subsequently played in Carnegie Hall, it was believed to be the first time a racially integrated musical unit had appeared onstage in a major hall in the United States.

Mr. Hammond also was a critic, and wrote widely on jazz and popu-

lar music for publications as disparate as Melody Maker, The Brooklyn Eagle, New Masses and The New York Times.

John Henry Hammond Jr. was born into an upper-class Manhattan family on Dec. 15, 1910.

While still a teen-ager, he became fascinated with black music, and spent a good deal of time in the clubs and theaters of Harlem. After dropping out of Yale University in 1931, he worked for radio station WEVD as an announcer, disc jockey and producer of live jazz shows.

In 1933, he was named American recording director of the English division of Columbia Records.

These early sessions yielded records by Fletcher Henderson, Coleman Hawkins, Joe Venuti, Chick Webb, Red Norvo, Mildred

Bailey, Gene Krupa and Jack Teagarden, among others.

He personally subsidized many of these recordings on the \$12,000-a-year income he received from a trust fund. He heard Ella Fitzgerald in 1934, shortly after she had won an amateur contest, and declined to record her. He later said it was the worst mistake of his career.

During this time, Mr. Hammond befriended the young Goodman, who was then playing only occasionally, in pit bands and on the radio. The two men often went on nocturnal excursions around Harlem. On one trip, they heard an unknown singer named Billie Holiday. Mr. Hammond was tremendously impressed and immediately arranged for her to make two recordings with Goodman.

One of Mr. Hammond's two sons is the blues musician John Hammond.

In 1934, Goodman reluctantly submitted to Mr. Hammond's oft-repeated plea that he form his own band.

During this period, Mr. Hammond discovered Count Basie over the airwaves of a Kansas City, Missouri, station, and found Charlie Christian playing in a small honky-tonk club outside Oklahoma City.

Mr. Springsteen played an audition for Mr. Hammond in 1972.

"He launched immediately into an extraordinary piece filled with street imagery," Mr. Hammond recalled. "I heard immediately that he was both a born poet and an extremely good guitar player."

One of Mr. Hammond's two sons is the blues musician John Hammond.

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**AIR-INDIA**



## Continental Says Its Pilot Was Urged To Suppress Report of Near Collision

By Richard Wilkin

**NEW YORK**—A radio conversation among pilots about two airlines nearly collided over the Atlantic last week included repeated suggestions that the incident not be reported, according to a Continental Airlines spokesman as well as officials close to an investigation of the incident.

The pilot of the Continental Boeing 747 involved in the Wednesday incident maintained in his radio transmissions that many people knew about the near collision and that he had to report it, the officials said.

Other participants in the radio conversations were pilots aboard the Delta L-1011, which missed the Continental jumbo jet by about 100 feet (30 meters) after straying 60 miles (100 kilometers) off course, and the crews of two other airlines in the area.

Officials said they could not be sure who first suggested hushing up the events and who lent support.

"I have passengers pounding on the door and crying, and they saw the whole thing out the windows," was the gist of the Continental pilot's reply, according to a version of the radio exchange supplied by airline industry sources. Almost 600 people were aboard the two planes.

A Continental Airlines spokesman said Saturday: "There were several requests and each time our crew adamantly refused." A Delta Airlines spokesman declined to comment Saturday.

In the radio transmissions, someone asked the Continental pilots whether they were going to file a report. When the Continental crew gave a quick indication that they would, according to sources close to the investigation, it was followed by a transmission to the effect that "nobody knows about it except us, you idiots."

Government investigators said that the issue of who said what would be cleared up by pilots and others who can identify the voices on a tape recording made by a U.S. Air Force Boeing 707. The Air Force pilots took special steps to prevent the 30-minute tape from being erased because they were upset at what they heard, the officials said.

One highly placed official of the Federal Aviation Administration said that agency officials who listened to the tape recording were outraged. The FAA has had a program for two years in which flight crews must file reports of near collisions.

U.S. regulations also require pilots who stray off course to

promptly notify air traffic controllers. This is especially important over the ocean, which is not covered by radar that allows controllers to follow the aircraft.

The main inquiry is being conducted by the Canadian Air Safety Board because the incident occurred in airspace under its authority about three hours flying time west of London. The planes were on parallel courses to the United States, and the FAA announced Friday that it was conducting its own inquiry in coordination with the U.S. National Transportation Safety Board.

The near disaster, and another close call over the Atlantic 800 miles south of New York a day later, increased concern among government and industry experts over the state of air safety. A controller error caused a Pan Am airliner and a Viasa Venezuelan plane carrying a combined total of about 180 passengers to come within a quarter mile of colliding on Thursday.

In Wednesday's incident, the two planes were flying at 31,000 feet westward from England's Gatwick Airport.

The Delta plane, carrying 153 passengers and a crew of up to 12, was headed for Cincinnati on the middle track of five trans-Atlantic routes from Europe. The Continental plane, carrying 399 passengers and 19 in the crew and bound for Newark International Airport, was assigned to the next track, 60 miles to the south.

For reasons that have not yet been determined, the Delta plane strayed south in clear weather near midday and crossed just beneath the Continental plane at about a 20-degree angle.



**PORT OF CALL** — West German Chancellor Helmut Kohl stopped Sunday in Shanghai to inspect the training vessel Deutschland. Mr. Kohl is on a weeklong visit to China; the Deutschland is the first West German naval vessel to dock there since 1949.

## LANCE: Irritated by U.S., Bonn Backs Off NATO Plan

(Continued from Page 1)

broader of the treaty, contending that the proposed accord would provide for removal from Europe of all the superpowers' ground-based nuclear missiles except those in the under-300-mile range, such as the Lance. These battlefield nuclear weapons most likely would be used on the front lines during a conventional war and thus would be almost exclusively on German soil.

Bonn warned Washington during discussions in April and May that widening the accord would en-

danger the Montebello plan, officials and political sources said.

In addition, during the NATO discussions on the arms treaty in the spring, Bonn was angered by a Pentagon suggestion to increase NATO's Lance arsenal from 88 to 400, the West German officials and sources said. U.S. officials contended in private talks that the increase was necessary to help compensate for the proposed removal of intermediate-range weapons, they said.

**Soviet Assails U.S., NATO**  
The Soviet prime minister, Niko-

lai I. Ryshkov, accused the United States and NATO on Saturday of failing to respond sufficiently to Soviet initiatives at the Geneva arms control talks. The Associated Press reported from Vienna.

He was speaking a day after the U.S. State Department charged that Moscow was stalling progress toward a superpower agreement on reducing medium-range nuclear missiles in Europe.

"Until now," Mr. Ryshkov said, "we have shown the maximum willingness to compromise. But even today, the agreement with some of our positions is withheld."

## KOREA: Cracks in a Police Wall

(Continued from Page 1)

was killed by a tear-gas grenade during a rally.

It is a testament to the discipline of the police force that it killed no other demonstrators during 20 days of turbulent clashes in June, although one demonstrator died when he fell off a bridge, and one policeman was run over by a bus.

While comrades behind them lob tear gas at the students, and demonstrators in front of them throw stones, the front ranks of police are often caught in the middle. Ordered to act as a human wall, they have only their shields to fend off rocks and blows from stick-wielding students.

Units of plainclothesmen sometimes wade into the throng, beating students with clubs and grabbing

those they can catch. But the uniformed riot police do not follow suit.

When the police slide their helmets off, some of their faces reveal unhappy distress. Blinking back tears, sweating from padded uniforms, they slump in formation for a cigarette break between skirmishes. Many are former university students with friends or acquaintances on the other side.

Mr. Yang said that in some cases police commanders stir up sentiments against the students, "ragging" at them during training sessions.

But in recent days, as the force has become increasingly worn down, some policemen have been ordered to join the battle when ordered. As a result, abuse by supervisors has become more common, according to Kim Dong Wan, director of the Human Rights Committee of the National Council of Churches in Korea.

## SHOOTING: West Bank Echo

(Continued from Page 1)

enough for Yusuf Said Nassar, 67, the father of the dead brother. According to accounts by both sides, he lured Dawud Sobeh, 75, an uncle of the Abdelhadi, to a café in nearby Ramallah and stabbed him three times. Mr. Sobeh survived. Mr. Nassar went to jail.

He was sentenced to seven years, which touched off a brawl in the courtroom and on the streets of Ramallah. The two sides continued brawling when they returned to Deir Dibwan, and Israeli soldiers came to impose peace.

The next day two dozen Awadals halted Dawud Sobeh's sedan on the main road to Ramallah, beating him with a stick.

"It has destroyed all that we've worked for," said one member of the Sarafat, who lives in Jordan. "We love our village, we love peace. But the old people in this town refuse to listen. They still think the same way from 50 years ago. I am ashamed to say I am from Deir Dibwan."

"A lot of them may be tired, they act slowly, and the police overreact," he said.

In the most recent such incident, a senior officer accused Cho Yang Kim, 22, of lacking discipline and repeatedly punched him in the chest. Mr. Cho died soon after the beating.

The incident occurred on a police bus while 40 other policemen watched. Reuters reported on Wednesday.

Mr. Yang said beatings were common, a tool to instill "unconditional obedience."

"On paper, officially, it never happens," he said, "but in fact there are many cases."

In February, a human rights worker said, another policeman was beaten to death by two senior officers for "not listening well, not having the right spirit."

In addition, according to the church office, since September there have been three suicides and one attempted suicide by riot police who reportedly had been beaten, hazed or, in one case, had money extorted by senior officers.

## ARMOR: Many Soviet Tanks All but Invulnerable to Missiles, U.S. Aides Say

(Continued from Page 1)

captured a couple of Israeli M-60 tanks during the 1982 war in Lebanon. Those tanks were protected by a new Israeli armor called "Blazer."

"Blazer" subsequently fell into Soviet hands, and now Moscow's T-72 and T-80 main battle tanks are protected by it. Only the high-velocity metal penetrator rods fired by our latest tank cannons can get through it.

"This seriously changes the military balance."

General Sunell said that his task force is to report Aug. 18 to army officials on the effectiveness of the Soviet armor and the U.S. capacity to defeat it. A congressional hearing is expected later.

The warhead of an anti-tank missile holds explosives that detonate a short distance before reaching the armor it is attacking. This

blast compresses and melts the charge's metal lining, acquiring it forward in a thin liquid jet.

This rapidly moving jet can penetrate steel armor a foot or more in thickness, hurling fragments and fuses into a turret, killing the crew and setting off ammunition stores.

The armor based on the Israeli invention consists of blocks of high explosive packed in small steel boxes that are draped like links of chain mail, usually over the armored top and flanks of a tank. Any box hit by a missile explodes.

The blast is not supposed to damage the tank, but is designed to disperse the jet of gas and metal coming from the anti-tank missile, making it harmless.

The contention that the new armor has changed the balance of land forces was challenged by John M. Epstein, a senior fellow at the Brookings Institution, a private

research organization based in Washington. He said in an interview, "It's too soon to write off our land forces in Europe."

"As far as I know," Mr. Epstein said, "the United States has no test data acquired from Soviet-made reactive armor as used on Soviet tanks."

The new armor, he said, appeared to be quite effective against missiles fired from ground level but less so against missiles that attacked the relatively thin top armor of tanks. The explosive armor was not effective against mines, he said.

"If our anti-tank guided missiles are ineffective against Soviet armor," he asked, "why are we continuing to buy more of them? For that matter, why haven't we put reactive armor on our own tanks?"

One of the biggest changes in the evolution of tank warfare came a

few years ago, when West Germany developed a tank gun now used by all the major military powers—a smooth-bore cannon that fires metal spikes instead of explosive shells.

The spikes are fired like arrows. To impact the most possible force, they are often made of uranium, a very dense material.

A projectile fired from the West German 120-mm cannon mounted on the latest U.S. main battle tank, the M1-A1, flies at 5,000 feet (1,518 meters) per second. At that speed, a uranium spike can penetrate heavy armor, killing crews with the resulting flashes of heat and flying metal.

The standard Soviet 125-mm tank gun fires penetrators that produce similar effects.

Army experts say that explosive armor is relatively ineffective against such projectiles, which are so heavy and fast that they overwhelm the force of the armor blast.

## HANOI: Military Ties

(Continued from Page 1)

culties for Cambodia, Vietnam will come to its support."

A sharply contrasting view was stated during an interview in Bangkok by a cabinet minister from a member of the Association of Southeast Asian Nations. He said Vietnam was now eager to negotiate because of the heavy burden that Cambodia imposed.

The organization's official position, like that of China, is that all troops have to leave. But the senior official said a settlement was possible based on a partial withdrawal by Vietnam.

The minister said the Southeast Asian nations had come around to that view because they believed a limited Vietnamese presence was needed to prevent a return to power of Pol Pot, the former Khmer Rouge leader.

The key decisions now have to come from outside the region, the minister said. He said China would have to drop its unconditional support of Pol Pot and the Soviet Union would have to use its influence in Hanoi to secure Vietnam's acceptance of a compromise.

Cambodian and Vietnamese officials said based on their knowledge of what Keng Koma, the Cambodian foreign minister, called the dismantling of the infrastructure of Pol Pot as a precondition for talks on national reconciliation.

## INOUE: Poindexter Document Implicates Reagan, Panel Members Say

(Continued from Page 1)

ing in many ways. It could be more important in some ways than Colonel North's," he said.

"Let me point out," Mr. Rudman said, "that Admiral Poindexter had virtually open access to the president. Oliver North did not."

Among those still to testify in public sessions before the committee are Attorney General Edwin Meese 3d, Secretary of State George P. Shultz, Defense Secretary Caspar W. Weinberger and a former White House chief of staff, Donald T. Regan, who Mr. Rudman said "has an ongoing knowledge of this entire situation."

[Less than 24 hours before they lost their White House posts, Colonel North and Admiral Poindexter discussed the possibility that Colo-

nel North might join the Central Intelligence Agency as a special assistant to the director, according to computer messages between the two men, The Associated Press reported Sunday.

[Internal White House communications also reveal that in those hours Admiral Poindexter described Mr. Meese as "one of the few besides the president that I can trust." And he said Mr. Meese, who was heading an inquiry into the Iran-contra affair, "is still trying to figure out what to do."]

Colonel North, Mr. Inouye said, was "extremely candid" in testifying about his role in the affair.

He said, however, there were "some documents to suggest that he wasn't absolutely candid." He declined to elaborate.

On Friday, Colonel North testi-

fied that William J. Casey, the director of central intelligence, had wanted to use profits from the arms sales to Iran to establish an "off-the-shelf, self-sustaining" fund, alone, that could pay for intelligence operations outside normal government control.

Neither the president nor Congress were to be informed about it, Colonel North said in his fourth day of testimony before the congressional committee.

Mr. Inouye said Sunday, in an earlier television interview, that "I suggested to the chairman of many that the president wasn't absolutely honest when he said 'I didn't know,' because I felt after reading the documents that he knew much more than he says he does. The same with other witnesses."

On Friday, Colonel North testi-

## Europeans Finding North Impressive, System Worrisome

By Barry James

*International Herald Tribune*  
Like millions of Americans, Dominique Mols, a French political analyst, found himself avidly watching television last week.

And like many Americans, Mr. Mols, associate director of the French Institute of International Relations in Paris, found himself unexpectedly impressed by Lieutenant Colonel Oliver L. North.

"He's not the stupid military guy we thought we might see," Mr. Mols said. "He is an articulate, strong and very coherent person."

Nevertheless, Mr. Mols, who is teaching at Harvard University during the summer, said that his dual perspective, as a European temporarily residing in the United States, made him, like other Europeans interviewed in recent days, "worried and puzzled" about the American political process.

"As a European who loves America," he said in a telephone interview, "as a European who depends on America for his security, I'm impressed in a very negative sense because the system of checks and balances leads to a complete blocking of the political process."

Mr. Mols said that, in trying to cut through problems, "Colonel North was too ideological and he lacked a strategic vision."

"A system that could not put him in charge," he said, "I admit it is a bit of a pity to be worried and puzzled as well," he said.

Many Europeans said they were impressed with the degree of openness and accountability that Americans demand of their public servants, but wondered how such traditions can be reconciled with the demands of big-power politics.

Josef Joffe, foreign editor of the *Spitzenzeitung*, who is temporarily in Washington, said the Iran-Contra affair "provides a wonderful case study about the difficulty of reconciling a history of political innocence with the demands of a great power."

Mr. Joffe said that the congressional hearings show the extent to which the United States has become an extension of domestic policy in the United States. Because of this, he added, "the allies are frightened by the inherent unreliability of the policy-making process."

Mr. Joffe also was impressed by Colonel North, who was dismissed from the staff of the National Security Council. "He's tough and realistic, loyal, highly intelligent," he said. "John Wayne could have played this role to perfection."

He gave an impressive performance, said Peter Cottner, the West German secretary general of

the North Atlantic Assembly in Brussels. "He is intelligent and dedicated. But he is also very dangerous. His approach is not consistent with democracy."

"My personal reaction is that Oliver North is a man who has demonstrated that he despises democratic elected representatives," said François Hensbourg, a French defense analyst who in the fall will take over as director of the International Institute for Strategic Studies. "In most other countries he would be accused of sedition."

"America's friends, I think, are looking on all this with mystification," said Robert Ford, the former Canadian ambassador to the Soviet Union. "And the Soviet Union, while probably delighted to see the capitalist giant in a mess, may be equally puzzled by America's political behavior."

"The Soviets agonized over Watergate, and I bet they are doing the same thing right now," he said.

Mr. Ford, who was in Moscow throughout the Watergate scandal, recalled that Soviet officials had placed all their bets on President Richard M. Nixon as the man most likely to deliver détente. This time, they are equally committed to President Ronald Reagan—as the one most likely to give them an arms control agreement, he said.

Another Soviet foreign editor, *Pravda* correspondent in Paris, said he believed that Kremlin officials are now more sophisticated. "They thought Watergate was an anti-Soviet plot," he said, but now they realize this is just an American story.

He said that Europeans tend to have a more cynical view about foreign policy. "To conduct secret activity, you have to be able to keep secrets," he said. "This is one point where Europeans and Americans are not on the same wavelength."

The main problem revealed by the Iran-Contra hearings, Mr. Ford said, "was not whether or not Reagan knew" about the activities of Colonel North and other officials, "but that he was not in control."

Nevertheless, he said, a congressional decision to impeach the president "would be a terrible blow. All of us depend on the leadership of the United States. To have a president thrown out of office for illegal conduct for the second time in a decade would be a serious blow to this leadership."

"You cannot have democratic control of covert services," said John Amery, a Conservative member of the British parliament. "Certain power must remain with the executive."

Mr. Amery added that "North is coming out of this very well and Congress is coming out very badly because of its repeated charges of misadventure support for the U.S.-backed contra in Nicaragua."

The administration either had to stop helping the contra or find an ingenious way around it. He said: "But helping Iran was misguided. That shook America's friends."

At the time, the Reagan administration was pressuring U.S. allies not to sell arms to Tehran.

Moscow's desire not to lose the momentum of the arms control process left Mr. Reagan with a strong card still to play, he said. "A Democrat would need a long time before he would be in a position to do a deal with Moscow," he said. "There is a lot of pressure on the Soviets to do a deal in the last 18 months of the presidency."

"The president needs an agreement on arms to save his image," Mr. Mols said. "The Soviets say, 'Let's help him.' They know how to provide and the president agreed."

## When North Was Told 'No'

Washington Post Service

**WASHINGTON**—Lieutenant Colonel Oliver L. North complained last September to Vice Admiral John M. Poindexter, then the national security adviser, that it was "increasingly difficult as a job" because he was denied White House access and that he had not been promoted and he could not obtain staff badges for his subordinates.

Staff badges allow access to various offices of the executive branch. "Office should understand," Admiral Poindexter wrote in a note rejecting Colonel North's request, that "passes are not a matter of honor—only convenience." He wrote a note to an aide to tell Colonel North "to quit bitching."

Admiral Poindexter, who was then Colonel North's boss on the National Security Council staff, appeared sympathetic to the transportation difficulties but refused Colonel North's request to send someone directly to the White House chief of staff "without sending it through normal channels."

Colonel North outlined his problems in a memo to Admiral Poindexter on Sept. 17, 1986. "I have never indicated before and do not mean to do so now," he said, "but it is becoming increasingly difficult to do my job." He said he wanted access to the White House "based on the frequent need for me to travel quickly and effectively, often transporting highly sensitive material."

As for promoting Colonel North's secretary, Fawn Hall, Admiral Poindexter said: "I believe our promotion policies are about as

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## PERSONAL INVESTING

## FOCUS

Small vs. Large:  
A Closer Look

INVESTORS have long been aware that over lengthy periods of time, the returns on stocks of smaller companies as a group tend to surpass those on stocks of larger companies. "There's a fairly serious body of reliable research that small stocks on average outperform blue chips," notes Rex Sinequifield, chairman of Dimensional Fund Advisors, a Santa Monica, California, investment firm, a long-time student of the phenomena.

That relationship makes good common sense. As a group, small companies typically grow faster than large companies. The higher returns on their shares compensate investors for the additional risks of investing in less established enterprises.

This seems to hold true in the world's three principal markets, according to research by Mr. Sinequifield's firm.

The firm ranked the stocks listed on the major exchanges in New York, London and Tokyo according to market capitalization and evaluated their performance over a 17-year period. In each market, the average performance of stocks in the lower half of the rankings outperformed the upper half by about 4 percentage points.

But investors would do well to underscore the word "average." Within the group of small companies from each market, there were sharp variations of fortune, making stockpicking a hazardous enterprise. Investors who bet on one or two small stocks, rather than building a diverse portfolio of 10 to 20 issues, were taking on a lot of risk.

**MOREOVER**, the average performance for long periods of time says little about near-term performance. Even well-diversified portfolios of small stocks will underperform one of larger stocks in certain periods.

Adding to the complexity is that there does not seem to be any reliable indicator to identify the periods in which small stocks will return more than large stocks. "Nothing can forecast whether one will outperform the others," contends Mr. Sinequifield.

Indeed, the experience of Japan and the United States in recent years shows how small stocks can disappoint in the midst of a roaring bull market. In the last two years, the shares of larger Japanese companies have returned about 47 percent while those of smaller companies totaled 37 percent.

The gap in the United States was even wider, with larger stocks returning 28 percent and smaller stocks 18 percent, according to the Dimensional Fund Advisor statistics.

An exception has been Britain, where smaller stocks have nudged out those on larger stocks by a margin of 39 percent to 37 percent over the two-year period.

Much like there is little way to tell in a single market when smaller stocks will outperform bigger stocks, there is no correlation among the major three world markets on small-stock performance, Mr. Sinequifield says. Far from seeing this as a problem, he says it makes a good argument for a globally diversified portfolio of small stocks. Lagging performance in one market is more likely to be offset by better-than-average gains in another.

Mr. Sinequifield has observed at least one key difference between the U.S. market and those in Japan and Britain. In the United States, the returns on small stocks are far more volatile than those on large stocks, according to statistical measures used by professional portfolio managers. Yet the volatility of returns of small and large stock are about equal in the Tokyo and British markets.

This is important for investors who equate volatility with risk.

The inference is that, over the long haul, investors are not taking on much more additional risk for the extra returns on small stocks in Japan and Britain.

Mr. Sinequifield, however, is cautious about such conclusions. These statistical measures of volatility may not reflect all the risks inherent in those non-U.S. markets, he says.

For example, the market for smaller stocks in Japan and Britain may be narrower and less efficient than it is in the United States. Buyers of smaller stocks in these markets may be less able to acquire shares at prices deemed appropriate, and sellers may have more trouble finding willing buyers.

William McBride

## UPDATE

## Closed-End Coup

IT is beginning to look like open season on single-country, closed-end funds. Two months after dissident shareholders, led by T. Boone Pickens Jr., forced the Japan Fund to convert to a conventional mutual fund, a group of shareholders in the Scandinavia Fund has declared its intention to take over the fund. (Personal Investing, April 13).

The group announced that it had acquired 3,064,000 shares, or 47 percent of the fund, which was launched in June 1986 and trades on the American Stock Exchange. The fund's management has postponed the annual meeting until July 28.

The aims of the dissidents — Erik and Alexander Vik, VBI Corp. and Ingemar Rydin Industriellbehör AB — are not clear, but observers believe they have no intention of open-ending the fund. This would allow shareholders to cash in on the discount between the price of the fund's traded stock and its higher asset value. Instead, the group wants to elect its own slate of directors to run the \$70 million fund.

Thomas J. Herzfeld, a South Miami, Florida, investment manager who specializes in closed-end funds, says the Scandinavia Fund's discount doubled to between 18 percent and 19 percent after the announcement, reflecting the stock market's nervousness about the change in management. Still, despite the attractiveness of the discount, he says he is not recommending the stock to his clients. "I don't have a really strong view on Scandinavian markets," he says.

John Meehan

The Privileged World  
Of Private BankingFees Can Run High,  
But Service Abounds

By Phil Roosevelt

CHASE Manhattan's office at 726 Madison Avenue is not like most banks. A small, red-brick building dating back to the 18th century, it stands in elegant contrast with the store-front convenience that has come to typify modern-day branch-banking. There are no crowds of hurried depositors, no string of tellers' cages. Instead, clients quietly transact their business amid chandeliers, Persian rugs and fine crafted furniture.

"The moment you step in the door," says R. Stephen Rood, 51, the office's manager, "you know that you are in a special place and that you are a special person."

Welcome to the world of "private banking." Once practiced mainly by a handful of small European banking partnerships, the field now includes competitors from almost every major financial center. Banks in New York, London and Hong Kong, as well as Zurich and Luxembourg boast private banking divisions. Even regional banks in the United States are offering their own tailor-made services for individuals.

The object of this industry fervor is to attract what bankers like to call the "high net-worth individual." Ideally, private bankers want to find affluent clients who may not have the time, expertise or inclination to handle their own financial affairs and are willing to pay a fee for the bank to handle their assets.

In the case of Chase Manhattan's U.S. effort, customers generally must have annual incomes of at least \$250,000 or liquid assets of \$500,000 to qualify. Morgan Guaranty, at the high end of the scale, has raised its minimum to \$5 million for international clientele "and we still think it's a little low," says Arthur Sculley, a senior vice president in Morgan's private banking division.

Of course, the notion of pampering the affluent is not new in banking. London's exclusive Coutts & Co., for example, has been providing personalized banking for nearly 300 years and today is known to count Queen Elizabeth II among its customers. But, while Coutts has clung to many of its internal traditions — all male staffers must wear frock coats — the bank is well aware that its market is changing.

"There's pretty fierce competition these days," says John Lucas, manager of business development for Coutts. "Everyone is awakening to the fact that these high net-worth individuals really do want personal attention."

One reason for the awakening is the sheer abundance of affluent individuals. Long-term rallies in financial markets, along

with successful entrepreneurial efforts, have created countless millionaires worldwide, and bankers realize that many needs of these individuals are not being met by such mass-market creations as automatic teller machines.

In addition, experts say, private banking is eminently profitable. Banks realize economies of scale by dealing with one customer with \$1 million rather than 50 customers with \$20,000. With profit margins getting ever smaller in traditional consumer banking, such economies are very welcome.

Many banks find private banking to be an ideal fit with their commercial, or merchant banking operations. "After we help make chief executive officers rich, we suggest to them that we can assist them invest their proceeds," says Barbara Thomas, a senior vice president and head of international private banking at Bankers Trust Co.

Private banking used to conjure images of the wealthy clients funneling cash into numbered accounts in countries out of the reach of tax authorities. Confidentiality has always been a hallmark and best explains why so many private banks have been established in Switzerland and Luxembourg. Even Chase's Mr. Rood notes that the private banking division makes a determined effort to maintain employee loyalty to guarantee discretion. "We have career tellers at a time when career tellers are a thing of the past," he says.

Still, the industry has changed decidedly in recent years. Banks now offer detailed financial advice, comprehensive investment product lines and basic banking services, all while maintaining a measure of old-fashioned personal attention. And investment performance, not just wealth preservation, is rapidly becoming an important part of the picture.

**E**VEN Swiss banks, whose chief attraction long has been Switzerland's secrecy laws, say that customers are increasingly keeping one eye on their account statements and another on rising market indexes. "People have this magic word 'performance' very much on their minds," observes Ivan Pictet, a partner in Pictet & Cie, a leading Geneva-based private bank.

There is little unique about any single private banking service. In general they are all available elsewhere — either from specific departments within banks or from other types of companies.

Instead, bankers say, the main benefit to customers is convenience. All services are made available to the customer and coordinated, if not administered, by a single private banker, who often bears the title of "relationship manager."

Relationship managers, who are sometimes paid twice as much as the counterparts at standard consumer banks, are supposed to possess more financial expertise and often have earned graduate degrees in business. Ideally, the relationship manager will propose services relevant for the client and then work in concert with specialists at the bank to deliver the services.

For truly prized customers, there is almost no end to how far a

Continued on page 8

THE PRICE OF  
PERSONAL SERVICE

Bank	Minimum investment	Annual management fee
Bankers Trust	\$1 million	1 percent, begins at assets exceed \$2 million
Bank of America	\$250,000	0.5 percent, begins at assets exceed \$5 million
Morgan Guaranty	\$5 million	1 percent, begins at assets exceed \$5 million
Pictet & Cie	\$300,000	No fee. Trading commissions and other charges can slightly exceed 1 percent
Swiss Bank Corp.	\$750,000	U.S. \$0.1 percent. Other charges average 0.5 percent

Bank of America, Morgan Guaranty, Pictet & Cie and Swiss Bank Corp. are not U.S. citizens. Morgan Guaranty is not a U.S. citizen. Data on Swiss Bank Corp. was from 1986. Source: Securities Week, Sept. 1986.



R. Stephen Rood of Chase Manhattan's private banking service in New York

## PROFILE

Robert Prechter  
Rides the Wave

By John Meehan

**I**n Gainesville, Georgia, it is an unlikely setting, about a half mile down a winding road from Russell's Garage, deep in the heartland of Georgia. But here with only tall pines to obscure the vision from his lakeside home, Robert Prechter has earned a reputation as one of the most accurate stock market forecasters in the United States.

Mr. Prechter, perhaps, is the best known practitioner of the Elliott wave principle, a technical — some say eccentric — system of predicting the market's ups and downs that first was developed after the disastrous crash of 1929.

The theory has all but been discarded by the Wall Street establishment, but remains a source of inspiration for Mr. Prechter's fans, 18,000 of whom subscribe to his monthly newsletter, "The Elliott Wave Theorist," for \$233 a year. Not surprisingly, Mr. Prechter now finds himself cast in the role of a market guru, inheriting the mantle once enjoyed by predecessors such as Joseph Granville. His popularity is understandable.

Ever since the bull market ignited in August 1982, Mr. Prechter has proved uncannily prescient in calling the market's peaks and valleys. He correctly predicted major downturns last July and again warned his readers of the correction in September, when the Dow Jones Industrial average plunged 141 points in the space of a week.

Although he has remained generally bullish for the market's prospects since last November, Mr. Prechter continues to dispense surprisingly accurate short-term advice to clients who use his hot-line telephone service.

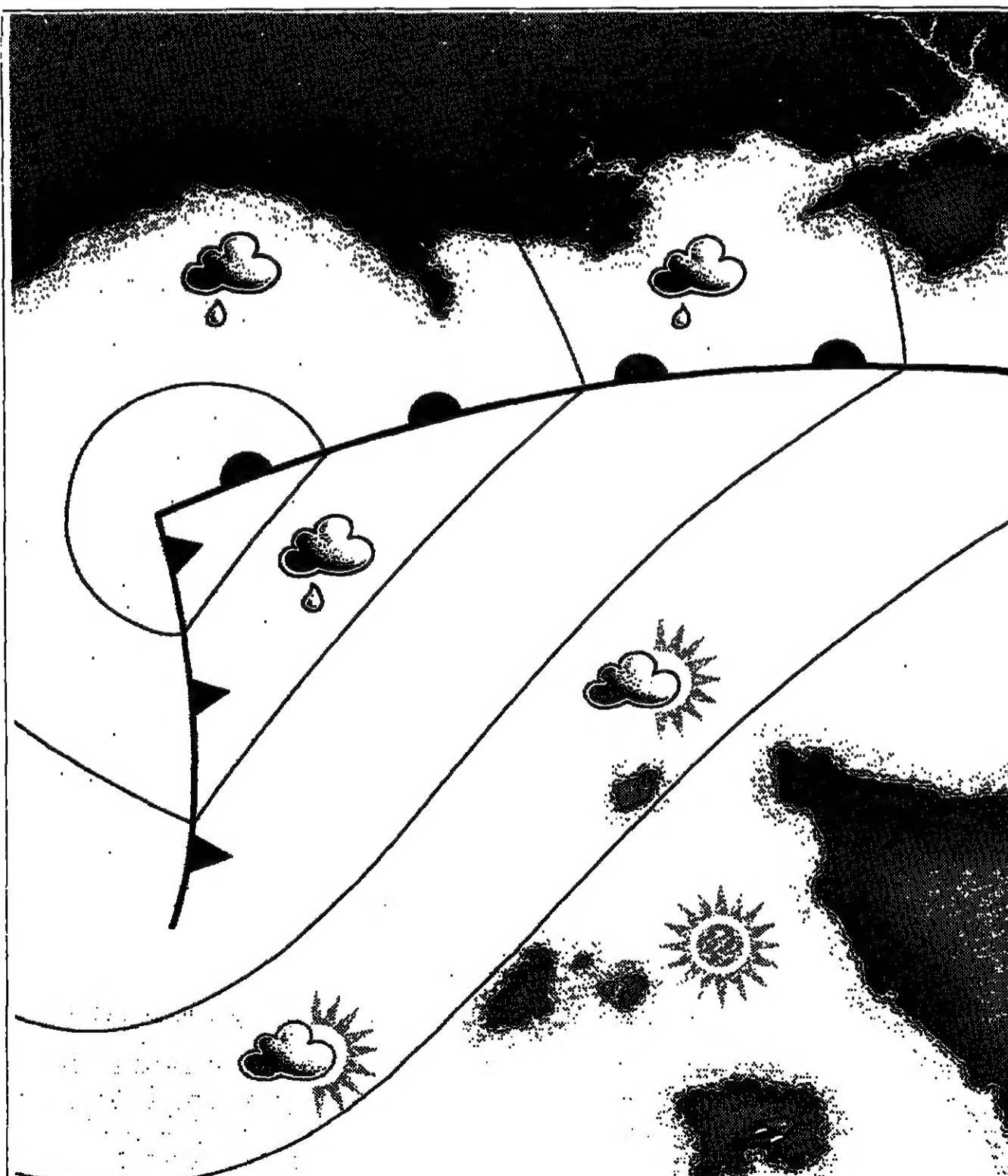
"On average when you look at the past two and half years, he's the

Continued on page 10

"There's still a thousand points left in this market."



Robert Prechter at the lake near his Georgia home.



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# Private Banking: A Range of Services for Privileged Clients

## Why Secrecy Is Crumbling

By Jacques Neher

**C**ONFIDENTIALITY remains a paramount concern for many of those seeking a private banker, but banks are having a tougher time trying to keep a secret these days.

Switzerland's reputation for secrecy, which dates back to a 1938 law that threatens a banker with a fine and imprisonment for divulging information about a client's account to third parties, is a case in point. Last year, Swiss authorities froze accounts held by former Haitian dictator Jean-Claude Duvalier and ousted Philippine president Ferdinand Marcos.

Soon after, Switzerland's shield of secrecy suffered another major dent when it was disclosed that Bank Leu of Zurich had cooperated with the U.S. Securities and Exchange Commission in the Dennis Levine insider trading scandal. In fact, the Swiss are expected to enact legislation this fall that could force any bank to disclose information about an account if a client is suspected of insider trading.

Swiss banking industry leaders say banking secrecy — which they prefer to call "financial privacy" — remains intact. "Secrecy was never absolute; there were always limits when it came to criminal investigations," says Andreas Hubschmid, secretary of the Swiss Bankers Association.

While a banker can never know for sure the origins of a suitcase full of cash, the Swiss in 1977 set up a self-policing mechanism, the *convention de diligence*, in the hopes of keeping so-called "dirty" funds out.

That agreement, updated this year and scheduled to take effect Oct. 1, contains a controversial clause that will prevent lawyers from opening accounts for their clients without disclosing the identity of those clients to the bank.

"It's not written on money if it's good or bad," says Claude de Saussure, president of the bankers' association. "But if we know who the client is, we'll also know if it's drug money or kidnapping money."

Nevertheless, bankers fear the effect this new rule



S. Rediger

will have on Switzerland's private banking sector. As much as 1.5 trillion Swiss francs (\$1 trillion) is being held or managed by private banking officers in Switzerland, according to industry estimates. An estimated two-thirds of these funds are concentrated in the five large commercial banks — Union Bank of Switzerland, Swiss Bank Corp., Credit Suisse, Swiss Volksbank and Bank Leu. The remainder is spread among 104 foreign-owned banks and 24 specially designated private banks.

"This will certainly have an impact," says Rudolf Hugi, deputy director of Chemical Bank Zurich. "It can be very good in that we'll make it known in the United States that Switzerland wants to have a clean

house. On the other hand, it could be negative for business. American lawyers will take advantage of this and say that secrecy is not what it's been."

Not surprisingly, tighter controls have helped private bankers in other areas to attract business that only a few years ago might have gone into Swiss accounts. "The Swiss secrecy product is very expensive and some are not willing any more to pay the high price," says Paul Lakers, head of private banking at Chase Manhattan Bank S.A. in London.

One indication of the changing perception of Swiss secrecy is seen in the growth of non-bank deposits in Luxembourg. Such deposits, which represent institutional funds as well as some private deposits, have tripled since 1980 to 2.3 trillion Belgian francs (\$61.7 billion). Tens of billions of dollars more in private funds are believed to be under management at banks.

Some banking experts believe Luxembourg may soon rival Switzerland as the world's second biggest money haven in terms of foreign deposits. The Cayman Islands is number one.

Like Swiss banks, Luxembourg banks are forbidden by law to release information on clients to third parties. "Though our secrecy laws are pretty close, when it comes to practical application, customers are definitely better protected in Luxembourg than in Switzerland," argues Marc-Hubert Henry, manager of private banking at Kredietbank S.A., Luxembourg-geopole, one of 124 banks operating in the 999-square-mile Grand Duchy.

**O**NE reason, say bankers in Luxembourg, is that there are very few American customers at this point. Moreover, the small private banks established in Luxembourg do not harbor the global ambitions that many Swiss banks have. Many bankers suspect that Switzerland is responding to pressure from American authorities who may have subtly, or overtly, threatened to yank the banking licenses of the major Swiss banks operating in the United States if such cooperation was not forthcoming.

Still, smaller depositors may have little to worry about. Most of the U.S. enforcement effort typically has been aimed at those involved in extreme cases of tax evasion or trying to conceal profits from criminal activities like narcotics dealings.

"If you choose to use a foreign bank to hide small amounts of income, you can probably get away with it," acknowledges Johnell Hunter, a spokeswoman for the Internal Revenue Service in Washington.

Continued from page 7

relationship manager might go. Stories abound of them ordering limousines for their clients at airports, walking clients' dogs, and helping find schools for clients' children. When a Chase client in New York was hospitalized a while ago, his banker brought her cups of soup from a delicatessen.

Asset management, however, is the centerpiece of private banking. Most banks offer customized investment portfolios, they say, that are tailored to each client's needs. Clients can tell their private banker to be aggressive or conservative and then establish a discretionary account, allowing the bank to trade stocks, bonds or other investment vehicles on their behalf.

"Most people want a reasonable return, but their primary goal is protection of assets," says Carol Fair, head of private banking at Chemical Bank.

Of course, basic banking services are also important. Checking accounts and credit cards are freely given to clients. In the U.S., more and more private bankers are promoting individually tailored loans for customers whose needs might otherwise fall somewhere between a consumer banker and a commercial loan officer. For growing numbers of customers, these loans are the main draw of private banking.

"The good news is that private bankers really do understand the complexity of a high net-worth individual's dealings," says Robert Lamazon, a partner in the accounting firm of Coopers and Lybrand who signed up with a private banker to meet his credit needs.

He adds, however, that comparison shopping for private banking loans can pay off, he says that he was quoted interest rates that differed by as much as one percentage point. Speedy service is also a feature of the customized credit programs. Robert Garver, head of Manufacturers Hanover Trust Co.'s U.S. private banking division, recalls that a client once called New York from the West Coast for \$1.2 million to invest in a leveraged buyout that was going to close in 36 hours. The bank analyzed the proposal overnight and quickly approved the loan.

Beyond credit, private bankers delve into such areas as financial planning, including a complete review of a client's assets, liabilities, insurance and estate planning. Real estate and fine-art investment services are offered in many programs.

None of this comes cheaply. Each service carries a fee. Chemical charges \$7,500 for financial planning, for example — and even checking accounts may have charges if the customer's account dips below certain balance levels.

In investment management, most private banks charge an annual management fee and deduct from the portfolio value a small amount to cover trading commissions.

Generally, the annual total costs are about 1 percent of the portfolio's value for the first \$1 million invested. The management fee declines as the size of investment increases and if the assets are substantial enough, some banks are willing to negotiate a fee.

"The Swiss fees are rapacious," asserts Larry Biehl, a principal in the investment advisory firm of Baillard, Biehl & Kaiser of San Mateo, California.

For customers investing through Bank Leu's Switzerland offices, the annual charge for a customized portfolio could be as much as 0.5 to 1 percentage point higher than the fee for similar services through the bank's New York office, acknowledges Ferdinand Schoppa, head of Bank Leu's private banking unit in New York.

The difference, experts say, represents a surcharge for Swiss dis-

*Asset management is the centerpiece of private banking. Most banks offer customized investment portfolios tailored to each client's needs.*

cretion. But banks in other locations are quick to point out that the Swiss no longer have a monopoly on secrecy.

Luxembourg offers similar protection. Moreover, many banks will offer to set up trusts in offshore locations with tax advantages. London-based Midland Bank, which started a private banking program for non-British citizens, will do this in the Channel Islands, Panama or the Cayman Islands.

Still, even in Switzerland, the fees are not uniform and individuals should shop around.

Mr. Fictet of Fictet & Cie says his firm charges no management fee, while commissions and tax for the average "global portfolio" — consisting of stocks, bonds, gold and any number of other instruments — rarely exceeds 1 percent.

**F**EES are just one factor that should be scrutinized by potential clients, according to financial specialists. The organizational structure of the private banking unit is also important. The relationship manager, they say, must be able to quickly and effectively tap the resources of other departments within the bank, regardless of the size of the institution.

"I would only recommend it if the people had the respect within their banks to get things done," says Mr. Biehl.

Even if the relationship manager is effective, the bank as a whole may not be as strong in providing some services as other types of companies.

"Just because private bankers have a high level of personal attentiveness doesn't mean they manage money better than anyone else," says Michael Stolper, a San Diego-based consultant who evaluates investment firms for individuals.

Exactly how effectively banks invest has long been debated. A recent study by CDA Technologies of Silver Spring, Maryland, found that U.S. banks as a group outperformed mutual funds, investment advisers and insurance companies during the past three years.

But critics maintain that the CDA results merely reflect the long-term stock rally that has favored the conservative, blue-chip stocks that banks typically prefer.

Mr. Stolper contends that the bureaucracy common in banks discourages good money managers from working there.

"People who manage money well are entrepreneurial," he says. "They hate bureaucracy, internal structures and decisions by committee."

Gilbert Mean, who tracks the performance of money managers for Dean Witter Reynolds, adds that good money managers often find higher compensation outside the banking industry.

Comparing the performance of banks' customized portfolios can be tricky, for private bankers, unlike mutual funds, rarely advertise their performance and many private bankers argue that so the portfolios perform well.

Some experts question, however, just what "best" means. Mr. Mean says that in the past, most investment managers maintained several generic portfolios designed to grow and income, aggressive growth, and high yield and asset category, all portfolios are 75 percent in stocks. Tax and income considerations often are not factored in.

Potential clients, however, can request to see the results of a bank's pooled trust funds, which will give a rough idea of the bank's investment prowess.

Quite apart from the performance question, there is the more fundamental question of whether a customer really wants to hand over \$500,000 to any single money manager. In the interest of spreading risk, Mr. Mean says that he often recommends two managers for clients with \$100,000 or more to invest.

**A**LTERNATIVES are hard to come by because there is no one place for the range of banking services available at a private bank. A traditional business manager is an obvious choice for an individual interested solely in professional asset management.

Money managers, too, are competitive with those of private bankers, and the minimum investments required can be substantially below the private banking level. In most cases, however, the money management client will have to go elsewhere for other financial services, possibly getting bogged down with multiple specialists.

Another alternative are the so-called cash management accounts offered by both banks and brokerage firms. The Merrill Lynch Cash Management Account, the industry leader, requires an investment of \$20,000, which is put into a securities account. Dividends are or other monies that are not invested are swept into money market funds or depository accounts. Checking services and debit cards are also part of the offering.

To a lesser extent, mutual funds are a third possibility. Indeed, some private bankers offer funds for smaller, minimum investments. But funds can never be a substitute for an individual's needs.

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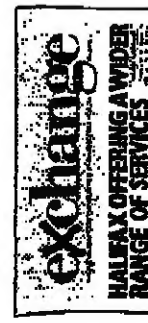
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## BOURSES

# Desk-Top Printing Makes a Splash

But seasoned observers of the sector caution that the field is not for faint-hearted investors.

By Cynthia Catterton

**T**HERE never seemed to be any doubt that Aldus Corp.'s debut last month as a public company was going to make a big splash. The software company's Pagemaker product provides a key element in the desk-top publishing technology that turns a personal computer system into a sophisticated printing shop.

"It was a very hot deal, the type of story that got a lot of retail interest," says Robert E. Matson, partner at Harvard Management in Boston. Responding to investor interest, the underwriters had raised the offering price to \$20 a share from the planned \$14 to \$16. But only two hours after opening on June 16, Aldus rocketed to \$35.75. Currently, it is trading at about \$30.

"Aldus is the most important player in a very hot marketplace, so it stands to reason that there is a high level of interest in the stock," says Jonathan Seybold, publisher of The Seybold Report, which operates the computer-aided publishing industry. "But I would never have predicted the closing price. It's extraordinary."

The Aldus offering insures a higher profile for computer-aided publishing and is certain to set off a scramble by investors for other opportunities. But seasoned observers of the technology sector caution that the field is not for faint-hearted investors. While the experts agree that computer-aided publishing has impressive growth potential, the pace of innovation and intense competition make for nervous trading in these fast-growing companies.

A case in point is another desk-top publishing issue, Adobe Systems, whose initial offering a year ago did much to whet investors' appetites for Aldus. "For those who did not play Adobe and missed out, [Aldus] was their second chance," says Mr. Matson.

Adobe, creator of the Postscript software that sets the de facto industry standard for linking personal computers with laser printers in desk-top systems, went public last August at \$11 a share. After a two-for-one split, the stock leapt to \$56 by spring.

But investors who came in late look a beating. A series of rumors then buffeted Adobe, pulling it as low as \$31, still 24 times projected 1988 earnings. The stock took a four-point jolt recently when a

product similar to Postscript—a "clone" in industry jargon—was announced at a computer trade show. Then just like week, Adobe rebounded, taking a 3-point jump in a single session, to \$32.50 a share.

"It's a profitable little company," observes R. Alex Henderson, an analyst at Prudential Bache Securities. "But it's very risky because it doesn't move solely on fundamentals."

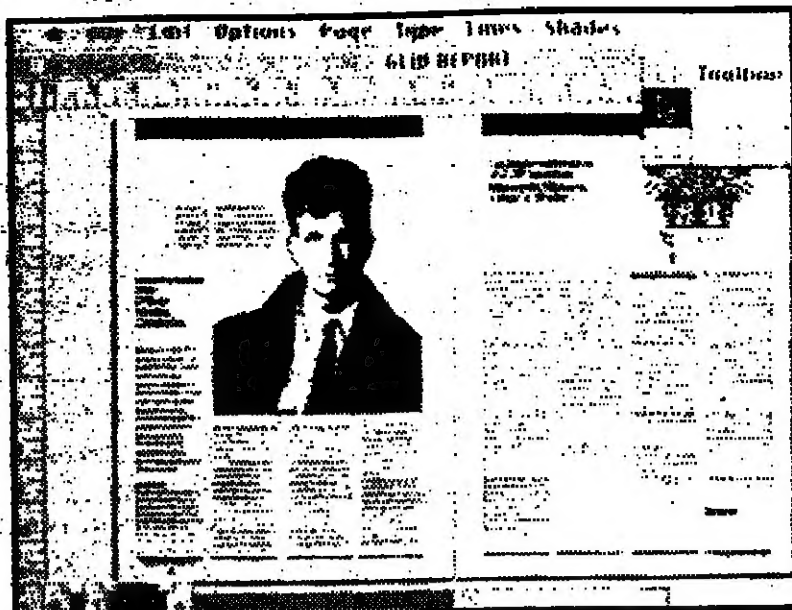
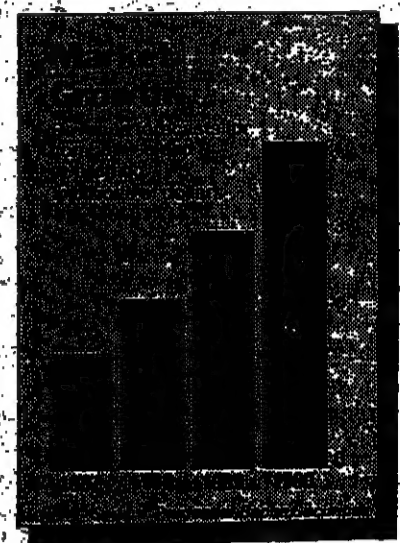
Mr. Henderson believes the stock could rebound to \$45 to \$50 per share by the end of 1987. The company recently reported a 90-percent increase in fiscal second-quarter earnings, while revenue swelled 150 percent.

There are already mutterings that the enthusiasm for Aldus is overdone at its current price. Mr. Matson of Harvard Management was a buyer of the initial offering but took his profits quickly.

"I knew it would go up significantly," says Mr. Matson, "but it got too pricey in the mid-thirties." Mr. Seybold agrees: "The valuation is rather rich."

The premium on Aldus shares reflects how the company is cashing in on demand for Pagemaker, which lets users of personal computers lay out text and graphics on their video display terminals.

Aldus reported that revenue more than quadrupled in the first quarter to \$8.2 million. Followers of the company forecast that it will earn about 75 cents a share in 1987 and \$1 in 1988.



Here is how a newsletter page looks on a computer using Aldus' Pagemaker.

So far, Pagemaker is the only page-composition product available for both Apple and IBM personal computer operating systems. There are already about 60,000 of the software packages in use.

The attention that Aldus has attracted, says Mr. Henderson, means that companies in other segments of the computer-aided publishing field may offer opportunity. "There is more to computer-aided publishing than just the desktop systems," he says. Investors should also look into providers of large, sophisticated systems to big corporations.

Two companies that Mr. Henderson strongly recommends are Xyvision and Interleaf, which offer high-end and mid-range systems respectively. Each company enjoys a leading position as suppliers to corporate publishing departments that produce complex technical manuals and product catalogs.

"These [two] companies have the potential for 50 to 60 percent appreciation in value over the next year," Mr. Henderson says. At \$13 a share, Xyvision is selling at about 16 times estimated 1988 earnings. He estimates that Interleaf will earn about 60 cents a share in 1988, about 27 times its current price of \$16.

Given the volatility of these stocks, investors would be wise to spread their bets, advises Robert Herwick, an analyst with Hambrecht & Quist. "A package of the leading companies—Xyvision, Interleaf, Adobe, and Aldus—would probably be the best strategy," he says.

That strategy would help limit the risks from the inevitable competitive maneuvering ahead.

"As the market becomes more mature, there is going to be pressure for the smaller firms to quickly adapt to changes in technology and increased competition," cautions Mr. Herwick.

Analysts note that computer-aided publishing is still in its infancy and, for the most part, these smaller companies have had the field to themselves. Competition

from any of the large computer companies, such as IBM and Digital Equipment, with their strong sales and services forces and large research and development budgets, could alter the picture. Xerox and Hewlett Packard already market their own desktop systems.

**H**OWEVER, Mr. Henderson at Prudential-Bache notes that strategic alliances between large and small companies have already emerged. Interleaf, for example, has an arrangement to sell software to IBM, Digital Equipment and Eastman Kodak.

Another uncertainty arises from the introduction of far more powerful personal computer systems. These new personal computers could take on the tasks now performed by the Interleaf and Xyvision systems.

Much will depend on how fast the demand for computer-aided publishing grows. Mr. Henderson estimates that the industry will generate \$1.35 billion in revenues in 1987, up 70 percent from 1986. He expects revenues to increase more than 30 percent annually, exceeding \$4 billion by 1990.

Figures compiled by Dataquest, a market research firm, indicate that computer-aided systems offer enticing savings to corporations. The typical Fortune 500 company spends \$20 to \$40 million a year on printed materials, which represent 6 to 10 percent of total company costs. Dataquest calculates that computer-aided systems could cut publishing costs by as much as 50 percent and reduce revision and production time by as much as 75 percent.

But skeptics, such as Mr. Matson at Harvard Management, remember the rosy forecasts for computer-aided engineering and design systems. A few companies have done well in that field, but it was far from a bonanza for investors. "I look at the [computer-aided publishing] market with caution," he says.

# The Plantation Play

As commodities rise, so do these Malaysian stocks.

By Patrick Smith

**W**HEN world commodity prices are in a slump, as they were until a year ago, no one wants much to do with the rubber and oil-palm estates that blanket vast tracts of the verdant nation. In times like those, Malaysians tend to view plantations as an unfortunate legacy of British colonial rule; investors begin to ask how quickly they can be turned into suburban sprawl.

When prices turn, however, as they have in recent months, it is a different story. The backbone of the Malaysian economy for almost a century, the plantation sector can bring the Kuala Lumpur Stock Exchange back to life with the suddenness of a tropical shower.

Conservatively managed and almost completely debt free—another legacy of the British—the best of the plantations can translate gains in the marketplace into bottom-line earnings with unusual efficiency. Not surprisingly, the sector has been the focus of the relentless buying—first by foreign fund managers, more recently by locals—that has driven the KLSSE's composite index up some 140 pct in the past 12 months.

"If you're investing in Malaysia, you've got to have a weighting in the plantations," says Stephen Davies, an analyst at Barclay de Zoete Weid. "Rightly or wrongly, this market is still perceived as a commodity play."

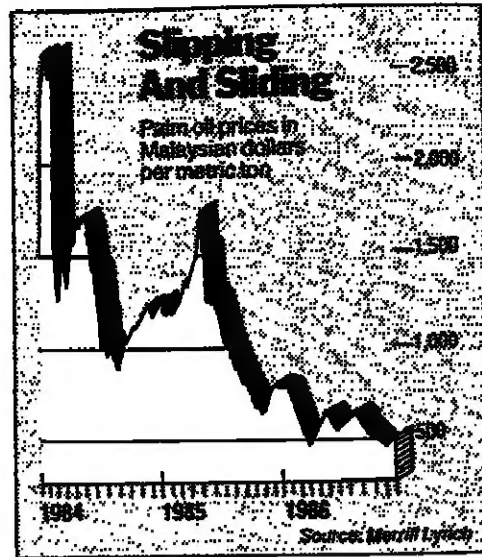
Much has changed among the plantations themselves since a British botanist first transplanted Brazilian rubber trees here 111 years ago. Oil palms, brought from Africa in 1917, are now the premier plantation crop. A decade ago, planters added cocoa to the mix.

Highly visible symbols of the old British domination, the plantations became the targets of a massive nationalization scheme launched in the mid-1970s. The resonant names remain—Harrisons and Crosfield, Guthrie, Dunlop Estates, Sime Darby. But only two smaller groups have not changed hands: Rowe Evans, a collection of six separate plantations, and Socfin, a French-Belgian concern.

Just as important, Malaysia has struggled mightily over the past three decades to advance beyond the economic legacy of the colonial era. Manufacturing, of little consequence at independence in 1957, now rivals agriculture in economic significance. Both account for about a fifth of national output.

It is the recent revival of rubber and palm oil prices, however, that has driven the stock market forward. The price of rubber smoked sheets of benchmark grade, called RSS1, has risen 36 percent, to 2.45 Malaysian ringgit per kilogram. Palm oil is now fetching 780 ringgit per metric tonne, compared with 440 ringgit last year.

For most leading plantations, both prices are now well above profitability levels. And in spite of traditional uncertainties—the challenge from synthetic rubber, for instance, or from other edible oils—most analysts expect prices to remain firm at least for the



rest of this year. Several weeks ago, the Kuala Lumpur Commodities Exchange forecast a palm oil price of 1,000 ringgit in the medium term.

"You're buying into an earnings recovery," a British broker in Singapore says. "And you're buying solid assets at the same time."

As in the market as a whole, however, foreign investors face the common problem of finding their way into stocks that are in short supply. Familiar with the terrain, some British brokers follow as many as two dozen of the 42 rubber and oil palm stocks listed on the KLSSE. Most analysts say, however, that there are only three major plantations—Harrisons Malaysian Plantations, Consolidated Plantations and Kuala Lumpur Kepong—that are large and liquid enough to provide for a significant amount of movement among overseas buyers.

Highlands and Lowlands, or Hi and Lo, is the most accessible of the second-tier listings. "But even that is not particularly marketable," says Mr. Davies, of Barclay de Zoete Weid.

In effect, the supply problem has created a two-tier market. While the exchanges overall price-to-earnings ratio is about 37, Harrisons has an historic P/E of 55, "Cons Plant" (the estate subsidiary of Sime Darby) sells at 45 times earnings and Kuala Lumpur Kepong is at 113.

Despite the lofty prices, foreign analysts continue to tell clients to hold plantation shares in any case, and perhaps buy when they can. Harrisons is renowned for its efficient management and for a healthy mix of rubber, palm oil and processing activities, such as oil refining and rubber processing.

Kuala Lumpur Kepong is favored because it is the one planter that has aggressively opened new acreage to expand into palm oil, rather than chopping down rubber trees to make way for the new crop. If there is softness anywhere, it is in Cons Plant, which is heavily reliant on palm oil alone. Alone among the three, its prospective P/E is expected to rise.

Given the global inflation outlook, many investors are coming to view the plantations as a store-of-value buy as much as a cyclical opportunity.

"The plantations are the first stocks you look at in this market," says Lee Siang Chin, chief executive director of Arab-Malaysian Securities Sdn. Bhd. "Where else in the world can you invest directly in commodities?"

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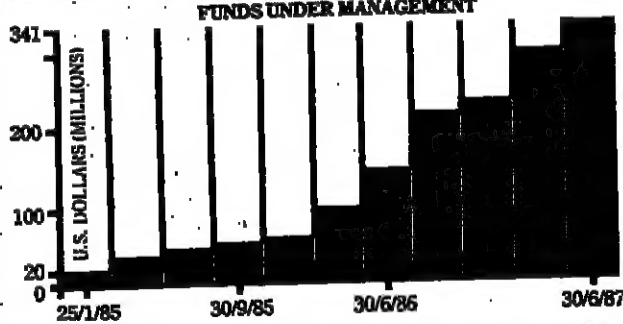
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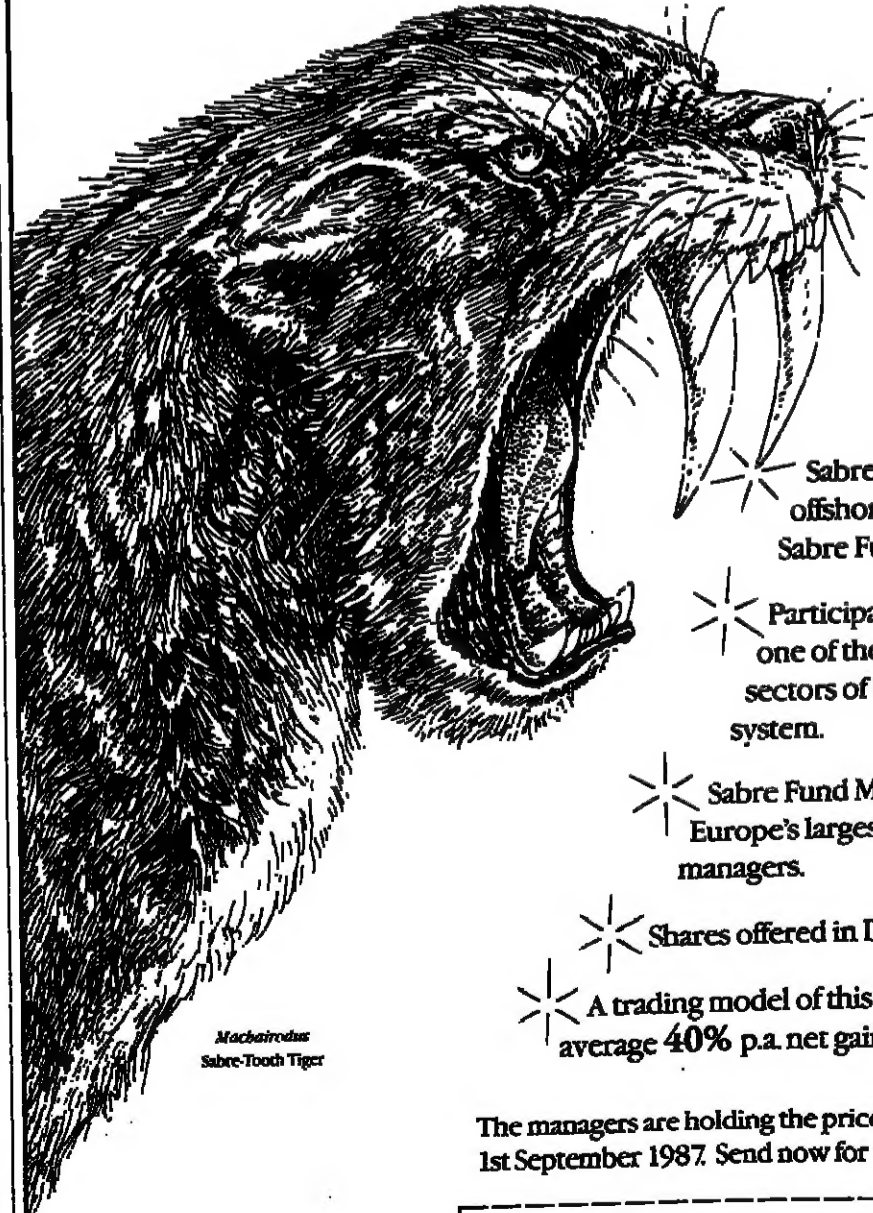
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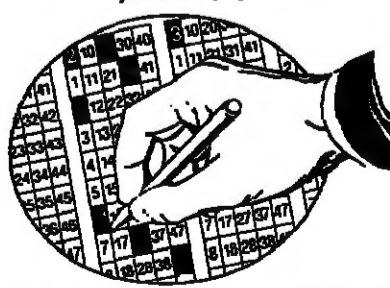
PRIZES	NO. OF PRIZES	PRIZE VALUE*
1ST PRIZE 6 OUT OF 6 NUMBERS	1	\$13,890,588.80
2ND PRIZE 5 OUT OF 6 PLUS BONUS	10	\$449,481.80
3RD PRIZE 5 OUT OF 6	716	\$2,704.70
4TH PRIZE 4 OUT OF 6	48,917	\$138.30
5TH PRIZE 3 OUT OF 6	945,132	\$10.00
TOTAL PRIZES	1,014,786	\$27,443,228.10

\*All prizes quoted in Canadian dollars.  
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1 11 21 31 41	1 11 21 31 41	1 11 21 31 41	1 11 21 31 41	1 11 21 31 41	1 11 21 31 41
2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42
3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43
4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44
5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45
6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46
7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47
8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48
9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49

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## BOURSES

# Bought Out, or Sold Out?

Shareholders find it hard to challenge buyout terms.

By John C. Boland

WHEN companies say goodbye to public ownership, they do not always leave their stockholders smiling. Increasingly, management-led buyouts and similar transactions are being faulted as unfair to public shareholders, who may have suffered with a company through years of adversity only to see their shares bought away — sometimes against their will — as the company's fortunes begin to improve.

Last summer, Esco Corp., a manufacturer of hand tools and aluminum products, was taken private by a controlling investor group at \$17.50 a share, a transaction that valued stockholder equity at \$138.8 million. Last month, the company's hand-tool unit was brought back to the public market; Esco Hand Tools Inc., representing about one-third of the old company, was priced at \$154 million.

If the remaining aluminum products group could be spun off at the same multiple of operating income, based on estimates in 1986 proxy material, the two units would have a combined value of \$470 million — more than double the value of \$220 million a year ago. In October, the controlling family at Foodarama Supermarkets asked minority shareholders to sell their stock back at about \$20 a share, approximately the value of its tangible net assets and three times cash flow. After a disputed vote, a shareholder group won a temporary restraining order blocking the deal.

A few months ago, the giant CSX Corp. forcibly bought out the last handful of public stockholders of its Baltimore and Ohio Railroad subsidiary at about one-third of book value. Lawyers challenging the transaction were dismissed. They had charged that the deal was unfair, fraudulent, and a breach of the majority holder's fiduciary duty. Several shareholder groups have filed for an outside appraisal of B&O assets under Maryland law.

While companies of all sizes get taken private — offers have surfaced in recent months for Cray Inc. and Revlon — investors in small, obscure, companies may be the most vulnerable to unfair treatment. For an individual holding a few hundred shares of a low-priced stock, the cost of filing suit or seeking appraisal, which is available under most state laws, is often prohibitive.

"The problem is, how do I get a group together and minimize the expense to shareholders?" says Norm Orenland, a vice president with Legg Mason Wood Walker Inc., whose clients held B&O stock and bonds. Companies planning buyouts may move

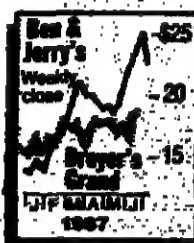


quickly and seldom volunteer shareholder lists to dissidents.

Nor can investors expect much help from the Securities and Exchange Commission. "Questions about the fairness of price or terms would be matters of state law, over which the SEC does not have jurisdiction," says Bonnie M. Westbrook, director of the agency's Consumer Affairs Office. "Basically, the commission's role is to insure that there has been full disclosure in the prospectus material," Richard E. Baltz, an attorney in the SEC's Office of Tender Offers, said that a prospectus could admit "that the price is not fair to shareholders, and it would satisfy our requirements."

Investors who have sought SEC help against forced buyouts report little support. Marc B. Franklin, a broker with Bateman Eichler, Hill Richards Inc., in Palm Desert, California, filed suit against the Foodarama deal and estimates his legal costs at almost \$200,000. "We tried the SEC," he says. "They said they just weren't interested."

## Ice Cream: The Scoop



With the peak ice cream season near, investors are looking for profits in America's appetite for the frozen dessert. And, in fact, the stocks of two small companies have been rising with the temperature. Steve's Homemade Ice Cream Inc., which markets flavors with such names as Monster Cookies, has risen to \$3.75 from \$2.15 at a year-ago. The company, whose stock trades over-the-counter, earned \$271,000 last year on sales of \$11.5 million.

Ben & Jerry's Homemade Inc., also traded over the counter, has moved up to about \$24 a share from \$14 in the dead of winter. The company, which distributes Mint Oreo, Dazzle Mash and other flavors in 35 states,

Securities lawyers argue, however, that a transaction can be so unfair as to constitute fraud under the securities acts, even when the terms have been fully disclosed. This is because controlling investors, who are often corporate directors, owe a fiduciary duty to minority shareholders.

I. Walter Baker, a White Plains, New York, specialist in securities litigation, represents a number of the larger holders of B&O securities. He notes that buyers and sellers can have very different ideas about the value of a particular company. CSX initially put the value of the B&O common stock at \$115 a share, or one-third of the stated book value of \$348. Subsequently, the company raised the payment to \$174.

NEITHER figure represents much more than half the price at which B&O traded in the over-the-counter market last November. Investors had bid up the price in anticipation of a buyout as close to book value. When the terms were announced, B&O's 4 1/2 percent bonds of 2010, each convertible into 10 common shares, plunged \$620 in one day, to \$1,600. They later rose to \$1,200.

Mr. Baker argues that the B&O is worth more than stated book value, not less. The company never "a whole slew of state regulations, 25 to 30 of them, carried at historical cost from the 1950s, 1970s, 1980s, less depreciation," he said.

An opinion, prepared by Morgan Stanley & Co., formed a price of one-third of book value to be fair. But Mr. Baker said that more millions traded in the market at about half book value, including the B&O's owner, CSX. "Anybody can buy a minority opinion," says one B&O holder who has done valuation work and who asked not to be named. "You tell us which side you're representing, and we would give you a steady either way."

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## PROFILE

# Prechter: Riding the Elliott Wave

Continued from page 7

number one market timer," says Mark Halbert, who tracks the performance of about 100 newsletters in his Washington-based Halbert Financial Digest.

Mr. Prechter, 38, is quick to play down his own celebrity. Instead, he credits Ralph N. Elliott, an accountant who first devised his wave theory in the late 1930s after losing money in the market crash of 1929. It is one of a number of theories that hold that the markets move in predictable cycles.

"He deserves worldwide recognition," Mr. Prechter says. "Elliott was 50 years ahead of his time."

Mr. Prechter, who majored in psychology at Yale University and went on to a career as drummer in a rock band, came across Elliott's theory by chance in the early 1970s when it was mentioned in a couple of market letters. By then, it had been rejected by most market experts.

There was little material available about the theory, and Elliott had died in 1948. But eventually, Mr. Prechter tracked down Elliott's original works at the New York Public Library, and has been a disciple ever since.

"I didn't begin with any preconceived ideas of Elliott," he says. "I applied the theory to the market and the realities convinced me."

Like most technical analysis, Elliott's system ignores the fundamentals of corporate balance sheets and income statements. Instead, the stock market is seen as a sentiment indicator that moves up or down with the prevailing optimism or pessimism of investors.

"The stock market just records this behavior," says Mr. Prechter, who refined his own market skills as a technical analyst for Merrill Lynch before launching his newsletter in 1979.

More importantly, these mood shifts, or waves, recur in predictable patterns, according to the theory. Based on observations, Elliott said that he found that a bull market moves in five waves — up, down, up, down, and then up again at the end.

Within each wave are similar sequences of smaller waves, reflecting more subtle shifts in investor psychology. In theory, therefore, Elliott's five waves can be applied to a single trading day, though Mr. Prechter acknowledges that the system is more accurate for longer term forecasting.

Prechter: Elliott was 50 years ahead of his time.

To identify the waves, Mr. Prechter uses about 50 indicators such as price changes, trading volume and short sales which are used by most technical analysts in forecasting the market. He also points out that each wave has a distinct personality.

For example, negative sentiment is common in the second wave because investors are always expecting a correction after the first wave. The fifth, or final, wave, is marked by a strong, bull market, but the euphoria eventually carries prices beyond reasonable levels, setting the stage for a prolonged correction.

Mr. Prechter's short-term outlook for the market remains extremely favorable. After some choppy trading over most of the summer, he believes there will be a significant rally toward the end of August that will be marked by a "violent, upside acceleration" in prices. "There's still a thousand points left in this market," he says.

As for bonds, Mr. Prechter believes the market reached its high in April 1986. But he does not rule out another rally, possibly toward the end of the year. But for precious metals he remains very bearish. "The risk is tremendous," he continues.

The outlook for stocks will not stay so upbeat, however. Looking ahead, Mr. Prechter invokes three movements: Elliott's 200-year-old "grand super cycle," the "super cycle," which began in 1932, and the current cycle, dating back to August 1942. He says the market is in the final wave.

Indeed, he is convinced the Dow will reach 3,700 by the end of 1988. That, he says, will

mark the end of the last wave, however. And the market will enter a sustained bearish cycle that he says will be more devastating than the prolonged slump between 1929 and 1932.

Such gloom-and-doom scenarios — and his conviction that all of mankind's progress moves in similarly predictable waves — usually draw a lot of criticism. And some wonder whether he is more adept at leading others than reading the market. For example, some professional traders believe that last July's stock market slide was precipitated by Mr. Prechter's bearish opinion, an accusation that he vehemently denies.

"It's pure hogwash," says Mr. Prechter, who reckons only 15 percent of his readers follow his advice systematically.

Moreover, a number of academics have raised questions about the reliability of technical forecasting in general. James B. Ramsey, a professor of economics at New York University who has studied technical approaches to the market, says there are too many variables affecting securities prices for any system to be foolproof. Although he acknowledges he has not studied the Elliott wave principle, he believes Mr. Prechter's success has more to do with luck than with theory.

"When you have so many people playing roulette, there's always a probability that someone will win," says Mr. Ramsey. "There just have a longer string of success than others. At some point he starts making mistakes. People will find someone else to follow."

Mr. Prechter has made mistakes. Mr. Halbert's data shows that he had a lackluster performance in the early 1980s, and that he has been decidedly less reliable in forecasting the bond and gold markets. Last year, however, who followed his advice remained on the sidelines during most of the sustained rally in bonds.

Mr. Prechter is the first to admit that he is not infallible. "All Elliott can do for us is order the probabilities," he says. "The future is not known to me." But he bristles at suggestions that the principle is wrong. "The only challenge to a theory," he argues, "is a better theory."

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A FULL PAGE ON  
RECENT DISCOVERIES IN  
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## COLLECTING

Zowie!  
The Craze  
For Comics

By Alice Oshins

WITH Impressionist and Old Master paintings going in the hundreds of millions of dollars and more, it didn't seem like such a big deal. Still, when Christie's in New York auctioned off two comic book covers with the popular Disney characters Donald Duck and Daisy for \$1,100 last month, it confirmed anew the craze for comic books.

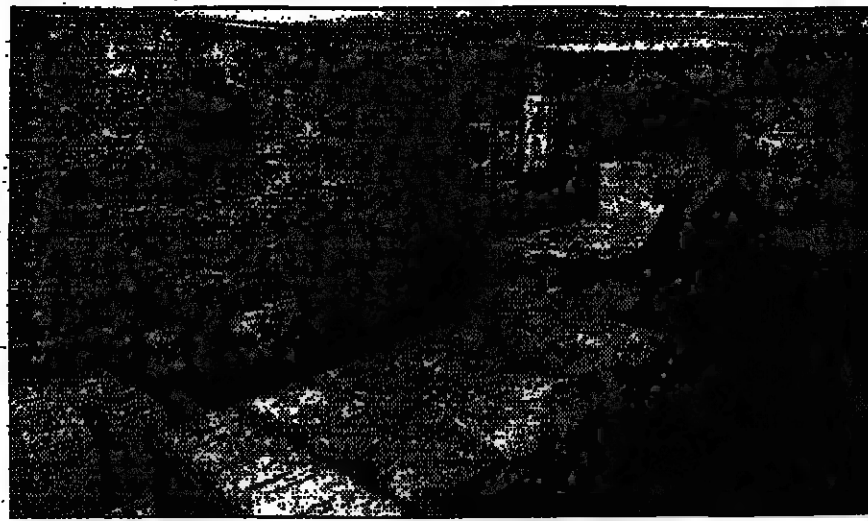
The likes of Spider-Man and the Fantastic Four, once consigned to dusty attics, or worse, tossed on the trash heap, are finding their way into the hands of a growing band of collectors. "Few of the comic book items range in the thousands, but there are many in the hundreds of dollars," acknowledges Dana Hawkes of Sotheby's. In 1984, four pieces of the original Superman comic were auctioned at Sotheby's for \$800.

"What makes this whole market tick is nostalgia," explains Robert M. Overstreet, whose Overstreet Comic Book Price Guide serves as a barometer of the market. "People want to have what they read as a kid and enjoyed so much. Those characters were our heroes."

Back in 1960, when Mr. Overstreet began publishing the guide, he could count no more than 300 collectors. He estimates that the number has grown to 400,000, about four times his publication's circulation. "The market is getting more and more valuable," he says. "People can definitely make money in this market."

Don Thompson, publisher of the weekly Comic Book Buyers Guide, based in Iowa, Wisconsin, calls it "a clear case of supply and demand."

But, as with all collectibles, some items are in more demand than others. The so-called Golden Age comic books, the blue chips of the industry, are appreciating at annual rates of 10 to 30 percent. Golden Age refers to the early years of comic books between 1938 and



Browsing at Manhattan's Forbidden Planet store.

AP Wirephoto

the early 1950's when the most popular characters originated.

A copy of the first issue of Action Comics, for instance, with the first appearance of Superman, commands \$25,000 in mint condition, a 17 percent increase from 1986 prices. "Everyone loves Superman," says Ms. Hawkes of Sotheby's.

Few of the Golden Age comic books, however, survived the trash bin, the wartime paper shortage, and with inferior quality ink and paper, the daily wear and tear.

Silver Age comic books, published in the early 1960's, also carry a sizable price tag. The comics are known to portray superheroes with a more emotional, human side. Titles such as "The Amazing Spider-Man" fetch as much as \$900, and the first issue in the "Fantastic Four" series commands up to \$1,250.

While the number in a series is crucial, it is not the only factor determining a comic's value.

One of the complexities collectors soon discover is that not all stories are continuous and start with number one. For instance, "Captain America" began in early 1960's but was numbered 100 because it traced its first issue back to 1940's comic books where the character originally appeared.

The story line is another factor. Prices are higher for issues that chronicle a turning point in a popular character's lifetime. The issue in which Batman and Superman discover each other's true identities sells for \$350, twice the price of the issues preceding it.

The quality of the artwork is equally important. Collectors cherish these colorful, animated illustrations, and their artists can amass a large following. "Comic book art traces back to cave painting and Egyptian hieroglyphics, and are part in the universal idea of drawing to convey narrative," says John Curran, who organized "The Comic Art Show" in 1983 at the Whitney Museum of Art in New York.

The interest in comics is far from a purely American phenomenon. Japanese comics, fast paperback books the size of telephone directories called manga, comprise a billion-dollar industry. The French *bandes dessinées* often in hardcover take a more serious tone.

But "it's American comic books that are collectible," says Rob Hingley, general buyer for Forbidden Planet, which has stores in both New York and London. American comics tend to sell abroad at only half their U.S. price. Still, says Paul Hudson, owner of a London store, Comic Showcase, "People get more excited by American comics. Trends that start in America don't take long to get here."

Most collectibles fall vulnerable to fraud, and comic books are no exception. Color comic books, however, are difficult to counterfeit because of the color printing process. But the less common black-and-white comics are easily replicated. One case was the counterfeiting of the first issue of "Eerie" comics in 1965.

## FUNDS

Tough Quarter  
For U.S. Funds

By Vartan G. Vartan

**A**FTER a strong first quarter, U.S. mutual funds generally disappointed investors in the second three months of the year.

Funds that invest in non-U.S. stocks and in natural resource shares were the only two sectors that managed to outperform the popular indexes. Gold funds tumbled from favor. Small-company growth funds and funds that invest in utility stocks also lost ground.

Bond funds fell particularly hard as interest rates escalated in April and May and the value of the dollar plummeted.

Of the 1,247 funds of all types tracked by Lipper Analytical Services, which monitors the fund industry, a total of 549, or 44 percent, in the second quarter showed negative returns. In the first quarter, only 10 out of 1,155 funds posted negative returns.

"Two months of a dismal bond market led individual investors to drive income and municipal bond net sales into negative numbers with massive redemptions and exchanges," said Claudia E. Mott, who analyzes mutual fund money flows for Prudential-Bache Securities.

Using data compiled by the Investment Company Institute, she said that bond funds of all types suffered a net outflow of \$29.9 billion in redemptions and exchanges between funds in April and May. In the same period, equity mutual funds enjoyed net new sales—gross sales minus redemptions—of \$6.4 billion.

By contrast, the year's opening quarter produced net sales of \$13.2 billion for stock funds and \$34.7 billion for bond funds. Last year, bond funds attracted \$0.1 percent, or \$115.6 billion, of the net money flowing into mutual funds.

Despite the flow of money into equity mutual funds in April and May, a choppy stock market inhibited their performance. On average, equity mutual funds showed a total return of only 1.93 percent in the latest three months. The Dow Jones industrial average

## Top Ten

Based on total return in second quarter, assuming reinvestment of capital gains and dividends

Dreyfus Strat. Agg.	+42.51%
Sherman, Dean Fund	+31.94
DFA United Kingdom	+22.29
DFA Japan Small Co.	+21.86
GT Japan Growth	+20.23
Nomura Pacific Basin	+18.98
Equity Strategies	+18.87
Fidelity Sel. Energy	+18.32
Newport Far East	+18.14
Templeton Foreign	+13.70

Source: Lipper Analytical Services

had a return of 5.76 percent for the period, while Standard & Poor's 500-stock average returned 5.02 percent.

By contrast, between January and March the average general equity fund rose by 19.22 percent. In that period, the total return was 22.51 percent on the Dow and 21.35 percent on the S&P index.

In the second quarter of 1987, international funds ranked as the best performing group. These funds, buoyed by the weakness of the dollar, showed an average gain of 7.79 percent.

In fact, international funds dominated the winner's circle for the five years ended June 30, 1987, a period when the S&P 500 gained 242.46 percent. The top performer was Merrill Lynch Pacific, which invests primarily in Japan. It was ahead 485.97 percent.

Natural resource funds, benefiting from the rise in crude oil prices, rose 5.79 percent as the second-best sector of funds in the latest quarter. But the gold-oriented funds produced a negative return of 2.10 percent, after sweeping ahead 49.40 percent in the first quarter, when it was the best-performing sector.

The top performer in the quarter, Dreyfus Strategic Aggressive Investing, gained 42.51 percent as a newcomer to the mutual fund survey.

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## STRATEGY

## Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in June.

	Percent Gain	Price June 30		Percent Loss	Price June 30
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## New York Stock Exchange:

Compiled by Media General Financial Services. Prices in dollars.

Reichhold Chemicals	88	80.75	AGS Computers	21	16.75
First Cities Industries	85	13.38	Burger King	21	15.88
JVT Group Inc.	58	25.13	Alfred Products	19	26.63
Diamond Eastman	56	25.00	Lapsur Inc.	19	12.63
Keystone Consol. Ind.	47	24.00	Computer Task Group	18	13.13
ACCO World	41	28.50	PACO Pharmaceutical	17	16.88
Kidde Inc.	40	48.25	Essex Chemical	17	25.25
Pier 1 Imports Inc.	35	21.63	Applied Magnetics	16	30.13
Vulci Inc.	33	13.00	Armada	16	10.50
Advanced Systrs Inc.	32	25.00	Computervision	16	15.00

## American Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in pence.

Clark Consolidated	55	17.25	AT&E	26	16.00
Adams-Russell Inc.	48	37.00	Univ. Comm. Systems	23	10.13
Alpha Industries	48	10.00	MacGregor Sporting	21	10.63
Transonic	45	30.50	Amer Israel Paper	18	22.75
Alpine Group Inc.	44	19.38	NECO Enterprises	15	21.00

## Over the Counter:

IVACO Industries	107	14.50	Weyenberg Shoe Mfg.	51	45.00
AIM Telephone Inc.	51	12.63	Sci-Med Life System	44	11.00
Argosystems Inc.	49	36.88	Maxtor	40	19.25
Business Men's Assur.	46	38.13	Tech Data	30	11.13
Champ. Parts Rebrids.	40	10.88	Digital Commun Assn.	29	32.50

## London Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in pence.

Rothmans International	40	384	Amstrad	23	173
Kwik Save Discount	30	408	British Aerospace	11	528
Reed International	26	569	Dee Corporation	11	223
Schroders	28	1,250	Willis Faber	9	408
McAlpine (Alfred)	27	676	British Airways	9	148
BSR International	25	138	Rolls-Royce	8	124
LASMO	23	318	British Telecom	8	287
Tricentrol	23	114	Boots	7	289
United Newspapers	23	551	International Thomson	7	640
MEPC	22	572	Storehouse	7	296

## Tokyo Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in yen.

Jusco	39	1,720	Mitsui Real Estate	25	2,280
Ushio	38	1,240	Bank Yokohama	23	1,530
Koishiroku Photo	37	890	Yasuda Trust	21	2,240
Citizen Watch	36	638	Sumitomo Trust	21	3,920
Sony	36	4,250	Mitsubishi Trust	20	3,970
Mitsubishi Petrochem	30	1,020	Mitsui Trust	19	2,570
Mt. Elect. Trading	29	2,690	Tokyo Electric Power	18	6,340
Pioneer Electronic	29	3,080	Shokusan Jutaku Sogo	18	1,040
Uib Industries	41	414	Daiichi Kangyo Bank	18	3,100
Krakuen	39	2,320	Taisei Corporation	18	1,020

Warrants:  
Bargains  
Abound

**T**HE TALK OF THE Euromarkets in recent weeks has been the glut of Japanese corporate bonds issued with warrants for common stock. While underwriters bemoan the influx of new issues, investors who are still positive about Japanese stocks have been finding bargains in the secondary market.

Typically, these equity-linked bonds carry lower coupons than conventional bonds, and the warrants, which are often traded separately from the bonds, are priced so that the investor pays a premium over the current stock price on conversion. But the \$10 billion of new offerings since the first of the year has driven up bond yields and pushed down the prices of the existing warrants of many big-name Japanese issuers to bargain levels.

"There are some fantastic values," says Si Lay Kee, who manages a Japanese warrant fund for Gartmore Unit Trust Managers in London. Funds are about the only way that individuals can play this professional, over-the-counter market. A diversified fund portfolio also helps reduce the risks of these extremely volatile instruments.

A good example, he says, are warrants of Daimeppon Ink & Chemicals, which were trading late last week at the equivalent of a 1 percent discount to the value of the underlying common stock. By some estimates, Daimeppon Ink, which is currently bidding for control of Reichhold Chemicals of the United States, has about 30 percent of the world industrial ink market.

Each warrant can be converted into 1,537 shares at 503 yen each. The stock was trading late last week at about 760 yen, with the warrant quoted at about \$2,500. Adding to the warrants' allure is the distant expiration date of August 1993.

William McBride

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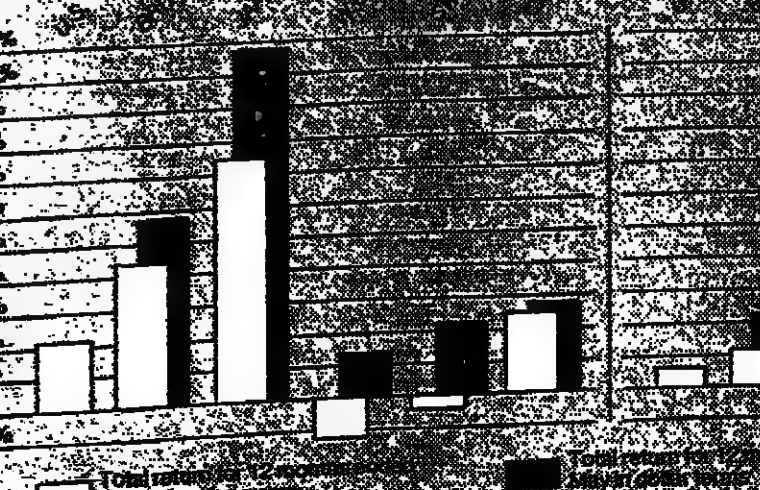
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## Total Return for 12 Months

Total return for 12 months ending June 30, 1987. Based on the total return for 12 months ending June 30, 1986. The total return for 12 months ending June 30, 1987, is calculated as the total return for 12 months ending June 30, 1986, plus the total return for 12 months ending June 30, 1987, divided by 12.

Stocks: Total return for 12 months ending June 30, 1987, is 10.0%. Bonds: Total return for 12 months ending June 30, 1987, is 10.0%.



Source: New York Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.











OTC Consolidated trading for week ended Friday. July 10

OTC Consolidated trading for week ended Friday. July 10

[illegible]

## Figures as of close of trading Friday

Figures as of close of trading Friday

[illegible]



## New International Bond Issues

Compiled by Aimee Potter Hardau

Issuer	Amount (millions)	Mat.	Cou.	Price	Price and week	Terms
<b>FLOATING RATE NOTES</b>						
Danisco	\$175	1995	3/16	100	—	Over 6-month Libor, Redeemable at par in 1993, Fees 70¢.
Société Concessionnaire Française du Tunnel Routier sous le Mont Blanc	Fr 450	1997	3/16	100	99.45	Over 3-month Libor, unless this is 25% or more than 3-month Paris interbank offered rate, in which case the coupon becomes 25 basis points over 3-month Libor. Callable in 1989 at par, and at every coupon date thereafter, FF300 million issued new and FF150 million reserved for an 18-month top. Fees 0.60%.
Manufacturers Hanover Australia	Aus 125	1999	0.25	100.15	100.00	Below the 3-month Australian treasury bill rate, Redeemable at par on every coupon date. Fees 0.15%. Denominations \$500,000.
National Bank of Canada	¥11,000	1992	0.45	100	—	Below the Japanese prime lending rate, noncallable, Noncallable. Fees 0.45%. Denominations 10 million yen.
<b>FIXED-COUPON</b>						
American Brands	\$150	1992	8%	100%	99.13	Noncallable. Fees 100¢.
Coisse Centrale Desjardins du Québec	\$30	1994	9%	101%	—	Noncallable. Fees 100¢. Denominations \$100,000.
Council of Europe Resettlement Fund	\$100	1994	8%	101%	98.75	Noncallable. Fees 100¢.
Franklin Savings Association	\$250	1989	8%	100.93	—	Noncallable. Fees 100¢.
General Motors Acceptance Corp.	\$200	1990	8%	101	99.50	Noncallable. Fees 100¢.
Portugal	DM 150	1992	5%	100	99.50	Noncallable. Fees 20¢.
Portugal	DM 150	1995	6%	100	98.60	Noncallable. Fees 20¢.
European Investment Bank	£100	1994	9%	101%	99.53	Noncallable. Fees 100¢.
Ford Credit Funding	£50	1992	9%	100%	99.63	Noncallable. Fees 100¢.
Denmark	DKr 500	1992	zero	61%	60.13	Yield 10.85%. Noncallable. Proceeds DKr 301.42 million. Fees 100¢.
Deutsche Bank Luxembourg	DKr 300	1993	10%	100%	99.13	Noncallable. Fees 100¢.
World Bank	DKr 300	1994	10%	100%	99.13	Noncallable. Fees 100¢.
AKZO	£360	1990	9%	101%	99.25	Noncallable. Fees 100¢.
Ford Credit Canada	CS 100	1994	10	101%	99.50	Noncallable. Fees 100¢.
National Bank Mortgage	CS 75	1992	10	100%	98.50	Noncallable. Fees 100¢.
Nordic Investment Bank	CS 75	1992	10	101%	99.75	Noncallable. Fees 100¢.
Bank of Nova Scotia	Aus 50	1990	14%	101%	99.75	Noncallable. Fees 100¢.
Council of Europe Resettlement Fund	Aus 60	1992	14	101%	100.13	Noncallable. Fees 20¢.
Deutsche Genossenschaftsbank Finance	Aus 75	1990	14	101%	100.38	Noncallable. Fees 100¢.
IBM Australia Credit	Aus 60	1989	13%	101%	100.08	Noncallable. Fees 100¢.
Landesbank Rheinland-Pfalz Finance	Aus 50	1994	13%	101%	99.63	Noncallable. Fees 20¢.
Toronto Dominion Australia	Aus 50	1989	14%	101%	100.13	Noncallable. Fees 100¢.
BP Capital	NZ 75	1989	17%	101%	100.25	Noncallable. Fees 100¢.
Swedish Export Credit	NZ 50	1990	37%	101%	99.88	Noncallable. Fees 100¢.
Aegion	¥13,660	1992	8%	101%	—	Coupon payable in New Zealand dollars, at an exchange rate of 80.25 yen per dollar. Redemption at maturity will be 80% in yen and 20% in dollars. Noncallable. Fees 100¢. Denominations 10 million yen.
<b>EQUITY-LINKED</b>						
C. Itoh	\$500	1992	2%	100	97.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 717 yen per share and 151.70 yen per dollar. Fees 200¢. \$500 million issued in Europe and \$200 million in Asia.
Fuqua Industries	\$75	2002	open	100	98.75	Coupon indicated at 6 1/8% to 7%. Convertible at an expected 20% to 25% premium. Fees 200¢. Terms to be set July 10.
Kirin Brewery	\$500	1992	open	100	99.00	Coupon indicated at 2 1/4%. Noncallable. Each \$10,000 note with one warrant exercisable into company's shares at an expected 20% premium. Fees 200¢. Terms to be set July 16.
Mitsubishi Rayon	\$100	1992	open	100	97.00	Coupon indicated at 2 1/8%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 20% premium. Fees 200¢. Terms to be set July 12.
Odakyu Electric Railway	\$150	1992	open	100	97.00	Coupon indicated at 2 1/8%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 20% premium. Fees 200¢. Terms to be set July 12.
Onoda Cement	\$100	1992	2%	100	97.25	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 720 yen per share and 151.15 yen per dollar. Fees 200¢.
Sanroku	\$100	1992	2%	100	97.25	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,210 yen per share and 149.80 yen per dollar. Fees 200¢.
Sumitomo Trust & Banking	\$100	2002	open	100	100.00	Sanitized coupon indicated at 1988. Callable at 104 in 1990. Each \$5,000 note with one warrant exercisable into company's shares at an expected 3% premium. Fees 200¢. Terms to be set July 16.
Yasuda Fire & Marine Insurance	\$150	1992	open	100	98.00	Coupon indicated at 2 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 20% premium. Fees 200¢. \$100 million issued in Europe and \$50 million in Asia. Terms to be set July 16.
Bayer Capital	DM 400	1997	6%	130	132.00	Each DM1,000 bond with two warrants exercisable into 4 company shares of DM430 per share, at 1.34% premium. Fees 200¢.
Coles Myer Finance Int'l	Aus 125	1997	9%	100	98.00	Convertible at Aus\$27 per share, at 20.1% premium. Fees 200¢.
<b>WARRANTS</b>						
Citicorp Investment Bank	0.25	1989	—	\$28 1/4	—	Each warrant giving the right to buy \$500 of DM1.82 per dollar.

## EUROBONDS: Markets Unmoved by Tax Imbroglio

(Continued from first finance page)

Treasury's late Friday announcement that the tax exemption will be maintained remains to be seen.

Those who had indicated an intention to use the loophole included American Medical, Bank of Boston, RJR Nabisco (formerly RJR), which had indicated plans to call its zero coupon bonds, said it would not proceed to do so. Citicorp, another very large user of the market, also announced it had no intention of calling any of its debt.

The Treasury's reversal followed an appeal from the Association of International Bond Dealers, which called on the U.S. Treasury secretary, James A. Baker 3d, "to make a major policy statement emphasizing the concern of the Treasury for investors" who stand to lose money and to express "your personal opinion that further tax calls of bonds... would be unreasonable or inappropriate in view of the Treasury's proposal for corrective legislation."

The differences in wording in bond documents that permits some issuers to call bonds even though the tax may never be levied has proved to be an embarrassment to the leading underwriters. Lawyers who drew up the documents reject responsibility for the weakening in the wording of the call provisions over the years. The lawyers argue that their obligation is to the issuer, not the investors.

Underwriters concur and admit that in the rush to do business and in a competitive environment where, as one said, "we scratch eyes

out for 5 basis points," or .05 percent, no one pays much attention to protecting investors' interests.

"We're on a cleft stick negotiating with the client," the issuer— "knowing if we insist on wording he doesn't want he'll take the business elsewhere," said one banker.

However, the International Primary Market Association, which groups the major Eurobond underwriters, is to meet in London on Monday to establish standardized wording on tax-call provisions in all future documents.

The proposed wording will contain two main elements: Bonds can only be called if an actual change will be incurred because of a change in tax rules, and issuers must take all reasonable measures to avoid becoming subject to that tax.

The small print in bond documents contains a lot of boiler plate material— phrasing reproduced word for word in document after document. The small print covers three general areas: administration—the who, how, where and when of coupon and principal payments; the covenants—the ranking of the debt if coupon and/or principal cannot be paid; and the tax call provisions.

The documentation officer at one bank, which is a commercial bank as well as an investment bank, complained about seeing covenants in bank loans much more stringent than the same borrower was willing to provide investors of a public issue.

"It's difficult to argue with the borrower and with the other people

## 2 Big Credits Expected As Season Winds Down

By Carl Gewirtz  
International Herald Tribune

PARIS—Two large international credits, probably the last before the summer doldrums shutter the market, are expected to be announced this week.

British Airways will be coming to the market with a \$2 billion facility to finance the purchase of new jet aircraft. Chemical Bank, National Westminster and Mitsubishi Bank have been appointed to organize the complex financing, which will be long-term and secured by the aircraft.

BTR, which has been on the acquisition trail but failed in its recent unfriendly bid for a 50 percent stake in Pilkington Brothers, has named Bankers Trust to organize a \$500 million, medium-term multi-currency facility. In addition to this underwritten line of credit there will be a \$500 million line extended on an uncommitted basis.

The underwritten portion includes a \$500 million credit for the U.S. subsidiary, BTR-Dunlop Inc. This has fueled speculation that the next acquisition target may be in the United States.

### INTERNATIONAL CREDIT

Industrial Credit & Investment Corp. of India, a government-owned institution providing long-term credit to domestic industries, is shopping for terms on a \$150-million credit with an option to issue Euro-commercial paper.

Reliance Premium Credit Corp. completed a \$160 million collateralized note issuance facility last week. The borrower is a company set up to buy receivables from Canstar, an insurance premium lending company owned by Reliance of the United States.

Manufacturers Hanover Trust, which arranged the loan, says it will be the first collateralized note to be issued in this market. The notes have been rated A-1.

The facility runs for five years, and carries an annual facility fee of 17 1/2 basis points, or 0.175 percent. Underwriters are obliged to buy any notes that cannot otherwise be sold at a cost of 25 basis points over the London interbank offered rate. Fees paid to underwriters range up to 12 1/2 basis points.

Inspectorate International Ltd., a quality-control company, is seeking a \$150 million transferable revolving underwriting facility under the direction of Merrill Lynch.

The three-year facility will carry an annual fee of 2 1/2 basis points. Underwriters agree to take up any notes otherwise not sold at a cost of 2 1/2 basis points over Libor. Omni Holding Group of Switzerland, a privately held company, owns 66 percent of Inspectorate.

Merrill Lynch is also arranging a certificates-of-deposit program for Credito Italiano and will be the sole dealer of this paper. The program, which includes issues of CDs in dollars and European currency units, has received a P-1, A-1-plus rating from the U.S. credit agencies.

The Belgian chemical company Solvay has appointed Deutsche Bank to arrange a \$100 million Euro-CP program. Dealers, in addition to Deutsche Bank, include Citicorp, Société Générale, Manufacturers Hanover and Morgan Guaranty. The maturity of the notes, to be issued under the name Solvay Finance (Bermuda) and carrying the parent company's guarantee, will have a maximum maturity of 365 days.

The Danish enzyme and pharmaceuticals company Novo Industri appointed Morgan Guaranty to arrange a \$100 million Euro-CP program. Dealers, in addition to Morgan, include Copenhagen Handelsbank and Swiss Bank Corp.

## Japan's Mitsui Is Ranked As World Leader in Sales

NEW YORK — Mitsui & Co., the Japanese trading company, has displaced Royal Dutch/Shell Group as the largest company outside the United States in terms of revenue, according to Forbes magazine.

Mitsui had revenue of \$81.8 billion in 1986. The dollar value of its sales was pushed up by the rise of the yen. Royal Dutch/Shell, the oil giant based in Britain and the Netherlands, dropped from first place in 1985 to fifth place in 1986 because of falling oil prices.

General Motors Corp. is the biggest company in the world, with revenue of \$102.8 billion in 1986.

Japan's trading companies, which captured six of the top seven spots on the list, tend to have vast revenue because they handle international commerce for other companies.

Here is a list of the top 10 non-U.S. companies, with their 1986 revenue, according to Forbes:

- Mitsui & Co., \$81.8 billion.
- Mitsubishi Corp., Japan, \$77.3 billion.
- C. Itoh & Co. Ltd., Japan, \$71.9 billion.
- Sanitomo Corp., Japan, \$65.1 billion.
- Royal Dutch/Shell Group, \$64.9 billion.
- Marubeni Corp., Japan, \$64.7 billion.
- Nishio Iwai Corp., Japan, \$42.9 billion.
- British Petroleum Co. PLC, Britain, \$39.9 billion.
- Nippon Telegraph & Telephone Corp., Japan, \$33.5 billion.
- Toyota Motor Corp., Japan, \$33.1 billion.

## AUSTERE: Argentine Accord

(Continued from first finance page)

Michel Combes, said the level of support for the package constituted the "critical mass" necessary to recommend the standby program for Argentina to the IMF's executive board.

The program can be implemented only after the completion of the commercial bank's loan package.

Argentina has foreign debt of around \$51 billion, the third highest in the developing world after Brazil and Mexico.

The government austerity program to the IMF, announced just two months before congressional and gubernatorial elections, drew immediate criticism from leftist opposition leaders, who said it would depress economic growth.

A previous austerity program that included wage and price controls, introduced in June 1985, curbed spiraling prices, but failed to restore domestic growth.

The proposed new accord omitted any reference to economic growth targets, despite repeated public assurances by President

Raúl Alfonsín that his government's goal of achieving 4 percent economic growth this year, adjusted for inflation, was not negotiable.

The new economic program will include an acceleration of the privatization of state industries, primarily petrochemicals, and will ease restrictions on the remission of dividends and profits by foreign companies operating in Argentina.

Wage increases for the third quarter of 1987 will be limited to 5 percent per month, according to the proposed agreement.

Because of the debt crisis and a sharp deterioration in the balance of payments, the government also agreed to accelerate devaluations of the Argentine currency, the austral. In June, the austral was devalued by a total of 11 percent against the U.S. dollar.

The program also calls for the federal budget deficit to be reduced from 6.5 percent of the gross domestic product, or the total output of goods and services minus income from operations abroad, to 2 percent by the end of the year.

(AFP, UPI)

## Bond Prices Rise Moderately

NEW YORK — Prices of government securities rose moderately Friday in response to a smaller-than-expected increase of 0.2 percent in June's Producer Price Index.

Market participants had expected producer prices to rise twice that much after the May increase of 0.3 percent. The small June rise added to speculation that the economy was still slow—which is good news for bond prices—and that this week's new economic data could reinforce those beliefs.

The dollar's pullback from its opening highs against the yen encouraged a fair amount of selling by midmorning. Firm oil prices, which are still above \$21 a barrel, also temporarily blunted the favor-

### U.S. CREDIT MARKETS

much after the May increase of 0.3 percent. The small June rise added to speculation that the economy was still slow—which is good news for bond prices—and that this week's new economic data could reinforce those beliefs.

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### U.S. Consumer Prices

	July 10
Year Percent Change	7.87%
Consumer Prices	7.87%
Wholesale Prices	6.85%
Producers Prices	0.2%
Home Mortgages, FHIA reverse	18.32%

Source: New York Times.

## Investor Is Aiding Fairchild

NEW YORK — A group headed by a leading New York money manager, George Soros, is investing \$34 million to help fund a wide revamping of Fairchild Industries Inc., the military contractor.

Financially troubled Fairchild said Friday that it was raising funds, selling divisions, trimming its debts and planning to buy back stock.

It said that Mr. Soros, who has close ties to a foreign investment company, the Quantum Fund, had been elected a Fairchild director and would head two investor groups that have the right to buy as much as 25 percent of the company.

Mr. Soros, who declined to discuss his growing role in Fairchild, is regarded on Wall Street as a passive investor interested in the long term rather than in a takeover.

Fairchild, which said it planned to concentrate on its aerospace and military electronics businesses, rose \$1.125 a share to close Friday at \$13.375 on the New York Stock Exchange.

Through his role as investment adviser to the Quantum Fund of the Netherlands Antilles, Mr. Soros, 56, a Hungarian émigré, already controls 11.4 percent of Fairchild.

In March he asked the government for authorization to raise Quantum's stake to 49.9 percent. He subsequently said that Fairchild had told him such a big foreign investment might impair its security clearances on government business.

Asked whether Mr. Soros was behind the revamping, Deborah M. Tucker, a Fairchild spokeswoman, said, "Senior management initiated it." It was clear, however, that Mr. Soros had endorsed the plan.

Under an agreement with Fairchild, Quantum

and an investor group consisting of Mr. Soros and Harvey L. Karp, another New York investor and Fairchild director, will limit their stake in the company to 25 percent for five years and will vote with the consensus of the board for 18 months, except in certain unspecified circumstances.

To improve its financial condition, Fairchild said, Mr. Soros's investor group would pay \$34 million for an unspecified amount of convertible preferred stock and subordinated debt.

The investment would pay 6 percent interest and would be convertible into common stock at \$12.90 a share but could not be sold for 18 months.

As part of the restructuring, Fairchild will sell such businesses as the manufacture of computer cabinets and doorknobs, in addition to its previously announced plan to sell its aircraft plants, including Fairchild Republic Co. in Farmingdale, N.Y.

It said the divestitures could take a year to complete, possibly bringing in more than \$150 million.

Paul E. Wright, president and chief operating officer, said that after the divestitures Fairchild's core businesses would be largely space systems, avionics, defense electronics, aerospace subsystems and aerospace fasteners.

He said Fairchild would also consider acquisitions but gave no idea of what it might buy.

Fairchild said it would buy back its 3.4 million series A preferred shares as market conditions warranted and possibly speed up its senior debt payments.

In a report on the company prepared in late April, Standard & Poor's estimated earnings this year at 50 cents a share, in contrast to a loss of 34 cents a share in 1986.

## Rosewood Bids for Apparel Firm

By Peter H. Frank  
New York Times Service

DALLAS — Caroline Hunt Schoellkopf, by some accounts the richest woman in the United States, is seeking to add Phillips-Van Heusen Corp., the New York-based apparel company, to the businesses run by her estate.

Phillips said Friday it had received an offer of \$22 a share in cash, or \$535 million, from Rosewood Financial Inc., the investment arm of Mrs. Schoellkopf's estate.

Mrs. Schoellkopf, the billionaire daughter of the late oilman, H. L. Hunt, is not active day to day in Rosewood's operations, but is among those who make final decisions on important investments.

Rosewood, which has consistently stated that its stake in Phillips-Van Heusen was for investment purposes only, already owns 19.7 percent of the company's common stock, the largest holding.

A spokesman for Rosewood, who asked not to be identified, said that Rosewood had owned stock in Phillips-Van Heusen for more than two years. Mrs. Schoellkopf was not available for comment.

Phillips-Van Heusen said its board would consider the proposal. The offer was apparently met with expectations of further proposals, analysts said.

Stock of Phillips-Van Heusen closed \$5.125 a share higher Friday, at a high of \$24.875 a share. It was the seventh-most actively traded stock on the New York Stock Exchange, with 2.19 million shares changing hands.

For the year ended Feb. 1, 1987, Phillips-Van Heusen earned \$20.1 million, or \$1.27 a share, compared with earnings of \$15.9 million, or \$1.02 a share, the year before.

The company's revenue declined to \$314 million from \$350 million in the 1986 fiscal year.

According to previous documents filed with the SEC, Rosewood paid a total of \$40.7 million for its stake in Phillips-Van Heusen, or an average of about \$14 a share.

Rosewood said the transaction was dependent on obtaining \$267 million financing, obtaining shareholder approval and the signing of guaranteed employment contracts by some of Phillips's top executives.

Almost two years ago, Phillips's management announced that it was investigating the possibility of a buyout. It later dropped that plan, saying it was not in the best interest of shareholders.



Caroline Hunt Schoellkopf

## Saudi Investor Holds 5.3% of Transamerica

NEW YORK — A company controlled by Sulaiman S. Olayan, a Saudi Arabian businessman, has disclosed that it owns 5.29 percent of Transamerica Corp., but has disavowed any desire for a takeover.

In a filing with the Securities and Exchange Commission, the company said Friday that it began buying stock in 1985 and now owned 4 million shares, including options, of the San Francisco-based insurance and financial services company. From May 11 to July 7, Mr. Olayan's company bought 1,288 million Transamerica shares on the open market for between \$31.95

and \$41.875 a share, the filing said.

Mr. Olayan is known as a passive investor who does not seek to take over companies or interfere with management. The SEC filing said that the shares were purchased for investment purposes by his company, Compel BVI Ltd., based in the British Virgin Islands.

A spokesman said Transamerica welcomed the investment. Mr. Olayan's company will become the second-largest shareholder of Transamerica, after Delaware Management, an institutional investor that owns 5.8 million shares.

The stock of Transamerica has moved from about \$32 at the beginning of June to above \$40, in heavy

trading. It jumped by more than \$3 on Friday when the investment was announced, but then settled back as the apparent nature of Mr. Olayan's investment became clear. It closed at \$42.625, up 25 cents.

Mr. Olayan, 68 years old, made a fortune importing supplies for oil pipeline construction and drilling in the Middle East. He controls a complex chain of companies involved in trading, insurance and investments there and elsewhere.

Transamerica is known for its pyramid-shaped headquarters in San Francisco. It has been shedding businesses, such as its airline and Budget Rent a Car units, to concentrate on financial services.



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Funds under management in excess of \$500 million (1st July 1987)

## Gartmore

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**OTC Consolidated trading for week ended Friday**

100% High Low Close Ch'ge

UNIT	DATE	TIME	LOCATION	TYPE	REMARKS
1st	10/10/19	10:00	1st	1st	1st
2nd	10/10/19	10:00	2nd	2nd	2nd
3rd	10/10/19	10:00	3rd	3rd	3rd
4th	10/10/19	10:00	4th	4th	4th
5th	10/10/19	10:00	5th	5th	5th
6th	10/10/19	10:00	6th	6th	6th
7th	10/10/19	10:00	7th	7th	7th
8th	10/10/19	10:00	8th	8th	8th
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18th	10/10/19	10:00	18th	18th	18th
19th	10/10/19	10:00	19th	19th	19th
20th	10/10/19	10:00	20th	20th	20th
21st	10/10/19	10:00	21st	21st	21st
22nd	10/10/19	10:00	22nd	22nd	22nd
23rd	10/10/19	10:00	23rd	23rd	23rd
24th	10/10/19	10:00	24th	24th	24th
25th	10/10/19	10:00	25th	25th	25th
26th	10/10/19	10:00	26th	26th	26th
27th	10/10/19	10:00	27th	27th	27th
28th	10/10/19	10:00	28th	28th	28th
29th	10/10/19	10:00	29th	29th	29th
30th	10/10/19	10:00	30th	30th	30th
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## BANKS: Congressional Vote Was Blow to White House's 6-Year Deregulatory Effort

(Continued from first finance page)

The two banking bills then had to be reconciled by a conference committee. The first key vote was over whether the House conferees would consider the Senate's broader legislation. They did.

Numerous amendments were offered on June 30 to dilute the ban on nonbank banks. All failed.

The other business of the conference — a move to stop banks from underwriting new securities and the \$8.5 billion thrift-fund rescue — was approved with relative ease.

In the end, the big banks, who wanted new underwriting, insurance and real estate powers, faced Wall Street, real estate agents and

insurance agents. The big banks lost badly.

Small banks, who took on big companies such as Sears, Roebuck & Co., I.C. Penney and American Express Co. over the ban on limited-service banks, won by a hair.

The thrift industry wanted the bailout of the fund to be smaller than the administration suggested, realizing that it was committing future profits to any borrowing authority. It also believed that if the industry's troubles became serious enough, the Treasury would finance any bailout.

Many did not welcome the outcome, including banking experts

and scholars, who insist that to keep banks out of securities underwriting and to ban commercial companies from banking merely protects existing interests from further competition.

Whether the bill will become law is far from certain. Little serious opposition is expected in the House Rules Committee, which must now approve the bill, or in the full House or Senate. But Treasury sources say they are drafting a veto proposal to send to the White House, and the administration knows a veto is about all it has left to halt the bill.

There are strong arguments against a veto. One is that it would send a dangerous signal to nervous thrift depositors. Since September, \$22 billion in deposits, excluding interest, has been withdrawn.

Another is that the Federal Deposit Insurance Corp. and some other segments of the administration favor the bill. Resolution of the thrift problem would reduce pressure to merge the FDIC into the much healthier FDIC. Further, the bill removes the FDIC from the budgetary restraints and oversight of the White House Office of Management and Budget and gives it regulatory powers to deal with failing banks.

regulatory experts have predicted further requests for expansion of the sphere in which banks may operate.

According to the document, Mr. Greenspan would not participate in decisions on applications from Morgan, but would discuss and vote on the great majority of applications by banks to enter new businesses and complete mergers.

Mr. Greenspan declined to discuss the document, a questionnaire completed by all presidential nominees, listing educational, business and political background.

Congressional sources said that Mr. Greenspan's business relationships, which he developed through his New York economic consulting firm, Townsend-Greenspan & Co., should not preclude his appointment, but that Congress would look carefully at them.

Mr. Greenspan listed as other potential conflicts of interest Capital Cities-ABC Inc., Gen-

eral Foods Corp., Mobil Corp. and Pittston Co., all companies of which he is a director. He also listed deferred compensation agreements with Aluminum Co. of America and Automatic Data Processing Inc.

Mr. Greenspan's involvement in the private sector is in contrast to the departing chairman of the Federal Reserve, Paul A. Volcker, who had a long career in public service.

In answering how he would resolve potential conflicts of interest, Mr. Greenspan wrote, "I plan to sever all previous relationships and recuse myself," or excuse himself, "if at any time the interests of past business associates or clients are directly involved."

He indicated that he would excuse himself from any debate or vote on applications that Morgan files with the Federal Reserve to engage in new businesses or to acquire other banks. Two such applications are pending.



### Computers Superseding 'La Corbeille'

Traders gathering around the 19th-century trading pit at the Paris Bourse for one last time: The symbolic central enclosure, the "corbeille," or basket, was to be removed over the weekend to make room for a computerized trading system. The corbeille dates back to 1827, but Xavier Dupont, chairman of the stockbrokers association, said, "This isn't a loss and no one here is grieved about it."

## Greenspan Lists Possible Conflicts of Interest

By Nathaniel C. Nash

New York Times Service

WASHINGTON — Alan Greenspan, President Ronald Reagan's nominee for chairman of the Federal Reserve Board, will not participate in regulatory decisions that directly affect J. P. Morgan & Co., according to a document Mr. Greenspan submitted to the White House and Congress.

The document, which has not been officially published, provides the fullest accounting to date of Mr. Greenspan's extensive business relationships. He listed his 10-year tenure as a director of Morgan and its banking subsidiary, Morgan Guaranty Trust Co., as possible conflicts of interest, as well as his relationships with six other companies.

Morgan and other big banks are seeking entry into new underwriting businesses, and

regulatory experts have predicted further requests for expansion of the sphere in which banks may operate.

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## TRACTORS: In U.S. Farm-Equipment Industry, Business Goes From Bad to Worse

(Continued from first finance page)

big tractors with 100 horsepower or more, and combines, the giant harvesting machines used by grain farmers.

The combine slide has been, if anything, more spectacular than the tractor crash. Selling for \$100,000 and up, these machines have found few buyers in recent years. Just 7,600 combines were sold last year, for instance, down from 32,000 in 1979. Combine sales this year are running 53 percent behind last year's levels.

Perhaps the most spectacular industry failure was Harvester, which lost more than \$3 billion in six years, underwent several restructurings and reorganizations and narrowly missed bankruptcy. Only the relative health of its truck-making subsidiary kept it alive.

The company decided to cut its losses two years ago, selling its farm equipment operations to J. I. Case, a subsidiary of Tenneco Inc. Harvester changed its name to Navistar International Corp. and carried on solely as a truck-maker.

Manassas-Ferguson restructured. New Holland was sold by its corporate parent, Sperry Corp.

Allis-Chalmers sold its farm-equipment operations to a West German heavy-industry company, Klockner-Humboldt-Deutz A.G., and attempted to struggle on making mining and industrial equipment before finally filing for protection from its creditors.

Even Deere, long the industry leader, was not immune. While it has weathered the downturn better than most, because of its size, financial strength and aggressive spending on product development and factory automation, it has reported losses in several quarters.

A United Auto Workers strike against the company, beginning last autumn, ran for 163 days, causing Deere to show losses of \$331 million in two quarters.

Deere had a small profit in its most recent quarter, but Eli Lustgarten, an analyst at Paine Webber Inc., predicted: "They'll go in and out of profitability in the next four to six quarters."

The upheaval and consolidation among the farm equipment companies has drastically changed the look of the industry.

Where once Deere and Harvester dominated as the only full-line pro-

ducers of everything from small tractors to combines, now Deere, Case-IH and Ford-New Holland can make that claim, while other companies have expanded their lines by acquiring competitors.

"We actually have more full-line

ducts than we did 10 years ago," said Emmett Barker, president of the Farm and Industrial Equipment Institute, a Chicago-based trade group.

The industry has been reordered in another way: More manufacturing has shifted overseas. Although combines and large tractors are still made in the United States and Canada, most smaller equipment is made in Europe or Japan.

According to industry executives and analysts, that shift reflects market patterns more than problems in the U.S. industry. Europe is the world's largest market for me-

dium-size tractors, those with 40 to 100 horsepower. It is more economical to make such machines near the primary market and ship some to the United States.

Similarly, small tractors, of less than 40 horsepower, are most pop-

ular in Japan. All the small tractors sold in the United States are made in Japan by American companies with plants there or by Japanese companies that also sell the products in the United States.

The market for small tractors has been about the only good thing about the farm equipment business in the past few years. Its success has masked some of the industry's other problems, analysts say. U.S. sales of small tractors, which were mostly flat during the first years of the slump, have risen sharply in the past five years, to 62,000 last year from 42,000 in 1982.

The buyers of these machines,

"We seem to be still looking for the bottom."

—Robert Maglia,  
President of Ford-New Holland

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## SPORTS

## Expos Hold Slumping Reds to 3 Hits in 4-2 Victory

**The Associated Press**  
CINCINNATI — Rob Sebra and Andy McGaffigan held the Cincinnati Reds to three hits Sunday afternoon in the sixth inning as the Expos rallied, 4-2, to win their third straight.

It was the Reds' sixth loss in their last seven games.

Despite Nick Basky's two-run homer to the fifth, Sebra turned in his fourth consecutive strong start. He had gone the distance in his previous three starts, allowing just two earned runs and 14 hits. This time he allowed three hits and six walks in six innings, with McGaffigan picking the last three for his eighth save.

Vance Law led off the Expos' third with a homer, then singled and doubled for 14 hits in his last 19 at-bats. He has a six-game hitting streak and is batting .467 against the Reds this season.

**Cardinals 3, Giants 2:** In St. Louis, Ricky Horton won his ninth straight game, Terry Pendleton homered against San Francisco and Jack Clark drove in his major league-high 86th run.

The Cardinals, who have won 10 of their last 11 games, enter the All-Star break with a 56-30 record, best in the majors.

Horton, in his third start this season, gave up four hits in six innings. He has seven saves, but moved into the Cardinals' starting rotation after Danny Cox broke a bone in his foot last week.

Horton gave up singles to the first two batters he faced, Mark Weinger and Kevin Mitchell, then retired 18 of the next 20 batters. The left-hander left the game when his pitching arm was struck by Joel Youngblood's liner in the seventh.

**Dodgers 12, Cubs 6:** In Chicago, Bob Welch pitched a four-hitter

and Mickey Hatcher drove in four runs with a homer and a two-run single for Los Angeles.

Welch won for the first time since June 2, striking out five. Jerry Mumphrey got two of the Cubs' hits, a single and double.

The Dodgers managed only nine hits but were helped by eight walks, plus homers by John Shelby and Ken Landreux. The Cubs didn't hit a homer for the first time in 14 games, the 13-game streak having tied a 1954 club record.

**Pirates 4, Padres 2:** In Pittsburgh, Bobby Bonilla became the second player to homer into Three Rivers Stadium's right field upper-deck seats, his two-run drive in the fifth helping beat San Diego.

Bonilla was the first to homer into the right field upper seats since Willie Stargell did for the fourth and last time on May 31, 1973. There have been seven upper-deck homers since Three Rivers opened in 1970, the last by Greg Luzinski of Philadelphia on April 18, 1979. Only Stargell, Luzinski, Bonilla and former first baseman Bob Robertson of the Pirates have accomplished the feat.

**Braves 5, Phillies 3:** In Atlanta, Gary Roenicke drove in three runs with a homer and a double against Philadelphia. Roenicke's homer was his fourth in six games, but fifth this season.

**Orioles 5, Twins 0:** In the American League, in Baltimore, Dave Schmidt, starting on one day's rest, retired the first 17 Minnesota batters and pitched a two-hitter while Mike Young, who was in a 1-for-20 slump, hit two two-run homers.

Schmidt pitched to just one batter over the minimum, striking out seven. He had a perfect game for 5½ innings, before Greg Gagne hit a soft line single to left. Al Newman led off the seventh with a single to right for the Twins' other hit.

Schmidt had been knocked out after four runs and a third of an

inning Friday. He also pitched against the Twins last Sunday, but without a decision.

**Yankees 6, White Sox 2:** In New York, Henry Cotto hit a 440-foot (134-meter) homer, doubled twice and drove in four runs. Don Mattingly homered for the fifth game in a row and Tommy John held Chicago to six hits for seven innings.

Cotto, an outfielder called up from the minors last week for the third time this season, tagged

Floyd Bannister for his fifth homer in the majors this year, following Gary Ward's one-out single in the second inning.

It was the 25th homer off Bannister this year. He has surrendered at least one in each of his last 10 starts, and in 16 of 18 starts this season.

**Blue Jays 3, Royals 2:** In Toronto, Lloyd Moseby hit a two-run homer against Kansas City and Jesse Barfield singled in the winning run in the seventh inning. Jim

Clancy struck out a career-high 11 batters as he checked the Royals on six hits for 7½ innings.

The Blue Jays won three of the four games in the series.

With two out in the seventh and Kelly Gruber on first on a fielder's choice, catcher Larry Owen made a wild throw off a pitchout, allowing Gruber to race to third. Barfield, who came into the game with just two hits in his last 23 at-bats, then singled to left.

## Kelly Crashes Out of Tour de France; Riders Face Tough 2 Days in Pyrenees

**By Samuel Abt**  
*International Herald Tribune*

**BORDEAUX** — Sean Kelly, ranked the leading professional bicycle racer in the world for the last three years and an early favorite in the Tour de France, fractured his left shoulder in a mass crash Sunday morning and was forced to quit the race.

Kelly, who went down in a collision just after a bonus sprint, was checked by a doctor and continued to ride. But half an hour later, after numerous talks with the doctor trailing him in a car, Kelly had to glide to a stop on the side of the

road. Flinching in pain during another medical inspection, he was led away to a team car.

The 31-year-old Irishman, who rides for the Spain-based Kas team, had been having a poor tour. He stood 41st in overall classification before Sunday's stage, 10 minutes 36 seconds behind the leader, Marcel Gantner of the Systeme U team based in France.

Two months ago, Kelly seemed a sure winner of the Vuelta, or Tour of Spain, until a groin infection caused him to quit in pain with only three days left in the three-week race. He spent more than two

weeks out of action and it became obvious in the Tour de France that he had not recovered his considerable powers.

Just Friday he finished more than five minutes behind in a time trial that many thought he would win. "It's only one day," he said then. "There are plenty more ahead." There weren't.

Davis Phinney, an American with the 7-Eleven team, won Sunday's stage, a 228-kilometer (141-mile) jaunt from the low hills of Brive-la-Gallarde through fields of sunflowers in the Dordogne to the flatlands and vineyards of Bordeaux.

In a sprint finish marred by a two-man crash, Phinney beat Jean-Paul Van Poppel, a Dutchman with the Dutch Super Confex team. Malcolm Elliott, a Briton with the ANC team from Britain was third. The pack finished strung out in the same time as Phinney — 5 hours, 46 minutes and 21 seconds.

Gantner kept the leader's yellow jersey, which he won Saturday with a nearly 11-minute victory over the leaders after a breakaway. Second, 22 seconds back, is Charly Mottet, a Frenchman with Systeme U, and third is Didi Thunau, a West German with the Roland Skala team from Belgium. Thunau is one minute 9 seconds behind Gantner.

That order will almost surely change on Monday, when the 199 riders left in the tour enter the mountains for the first time since 207 men set out in West Berlin on July 1. The 4,100-kilometer (2,550-mile) race ends in Paris on July 26.

The thought of the Pyrenees, which precede the Alps by a week, excites the climbers.

Some, like Pedro Delgado, a Spaniard with the Dutch PDM team, and Robert Muller, a Scot with the Dutch Panasonic team, did unimpressively well in the time trial in which Kelly faltered. They expect to gain many minutes in the next two days.

Others, like Luis Herrera, a Colombian with the Café de Colombia team, and Andy Hampsten, an American with the 7-Eleven team, did badly in the time trial and must show that their tour is not, like Kelly's, already over.

Only the climbers will receive assistance from Jean Bobet, who, in the name of the Tour de France, has discovered another mountain pass.

Called the Col de Soudet, it is 1,570 meters (5,181 feet) high in the Pyrenees. The Soudet is rated beyond category in difficulty, even more arduous than Bobet's earlier discovery, the 1,135-meter-high Col de Burdinucourt.

In an enthusiastic letter last fall to the organizers of the bicycle race, Bobet described the Soudet as "touristically seductive and strategically superb."

Early Monday, the riders will go by train to Bayonne, near Spain in the southwest corner of France, for the start of a 219-kilometer stage.

Riding to Pau, the pack will transit first the Burdinucourt, which is rated in the first category of difficulty, then the second-category Bagueru, the Soudet with its stretch of nine-degree grade and finally the first-category Marie Blanche.

That's for openers in a two-day visit to the Pyrenees. On Tuesday the riders go 166 kilometers from Pau to Luz Ardiden, passing again over the Marie Blanche, then the Aubisque, which is rated beyond category, the second-category Bordes and finally the awesome nine-kilometer climb to Luz Ardiden, 1,710 meters high with a grade averaging 9 percent. It too is rated beyond category.

Some of the passes, like the Aubisque, have been part of the Tour de France since 1910. Others have been turned up by volunteer scouts like Bobet.

Now 57 years old, he is a retired racer who was good enough to win the Paris-Nice race in 1955. He is best known, however, as the younger brother of Louis Bobet, who won the Tour de France from 1953 through 1955 and who remains one of France's sports heroes even after his death in 1983.

Jean Bobet likes to spend his spare time prowling the Pyrenees, looking for abandoned paths that might once have been used to lead sheep or cattle to high ground in the summer.

The Soudet, tour officials say, was so primitive when he discovered it last year that the regional government had to rebuild the road entirely before the tour could add it to the itinerary. Even so, parts are said to remain unopened.

Adding mystery to the climb was the report in a French newspaper Sunday morning that a leading terrorist in the Basque independence movement in Spain had been arrested. In his car, the paper quoted the police as having said, were marked maps of the Tour de France route on Tuesday, France's national day.



Sean Kelly, an early favorite in the Tour de France, was helped back into the race after a collision Sunday. But, with a broken left shoulder, he was out for good half an hour later.



Kansas City's Bret Saberhagen (15-3), delivering a pitch to Garth Iorg Saturday in Toronto.

## Home Run by Owen Beats Key; Saberhagen Racks Up No. 15

**Compiled by Our Staff From Dispatches**  
**TORONTO** — Bret Saberhagen of the Kansas City Royals won his 15th game this season, a 2-1 triumph over the Toronto Blue Jays, with unexpected help Saturday.

Larry Owen, a catcher hitting just .189 when he came to bat in the eighth inning with two out and Bo

three times, stole two bases and scored three times for New York. But Met starter Terry Letcher, stuck to a 6-1 lead and bidded to improve his record to 9-0, failed to last through the fourth inning.

**Dodgers 5, Cubs 4:** Cubs 7, Dodgers 6: In Chicago, Ryan Sandberg, Rafael Palmeiro and Jody

and Steve Trout pitched a six-hit shutout against Los Angeles.

Earlier, Mariano Duncan tripled in Steve Sax from second base in the 10th as the Dodgers won a game begun Friday. The Cubs' Dave Martinez had doubled in the tying run in the ninth before play was halted by darkness with two outs and Martinez on third.

**Giants 3, Cardinals 1:** In St. Louis, Bob Brenly drove in two runs with a homer and a single, helping end a nine-game Cardinal winning streak.

**Pirates 3, Braves 1:** In Pittsburgh, Stan Jefferson, Tony Gwynn and John Kruk each drove in a run to help Mark Grant post his first victory for San Diego.

Grant had been acquired the previous weekend in a seven-player trade with San Francisco.

**Braves 5, Phillies 4:** In Atlanta, Dale Murphy singled in two runs in a four-run fifth to beat Philadelphia.

**Expos 11, Reds 5:** In Cincinnati, Tim Lincecum hit an inside-the-park homer and two doubles, driving in four runs for Montreal. (UPI, AP)

and Steve Trout pitched a six-hit shutout against Los Angeles.

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## SATURDAY BASEBALL

Jackson on first with a single — the second hit off Toronto starter Jimmy Key — drove an 8-2 pitch just over the left-field fence for the game's first run.

When Manager Billy Gardner "let me go up and hit," Owen said, "it made me feel great. Not that I was going up there to hit a home run, but it was such an ego lift for me."

Gardner said he "didn't want to make any changes at that point because I didn't know how long the game was going to go."

Saberhagen was working on a one-hitter until the eighth, while Key had retired 15 in a row before Jackson beat out a dribbler between the mound and third with one out.

Key lost for the third time this season after pitching six or less and giving up two or fewer earned runs. Kansas City ended a five-game losing streak, and stopped Toronto's winning streak at five.

Saberhagen struck out 10 and walked one, retiring the first 11 batters he faced and getting 10 in a row after Rance Mullins lined a single up the middle with two out in the fifth. The Blue Jays scored their run in the ninth, when Garth Iorg led off with a double and, two outs, later Jesse Barfield singled up the middle.

**Athletics 6, Brewers 5:** In Oakland, California, Mark McGwire hit his 33d and 33d homers and drove in four runs against Milwaukee.

**White Sox 5, Yankees 2:** In New York, Dennis Hill singled in the go-ahead run in the 15th and Carlton Fisk walked with a two-run homer for Chicago.

**Twins 2, Orioles 1:** In Baltimore, Gary Gaetti and Randy Bush homered as Frank Viola, with an eighth-inning homer, outpitched Mike Griffin. Griffin, purchased June 25 from Rochester of the International League, allowed five hits in his first big-league complete game.

Billy Ripken, the 22-year-old son of the Oriole manager, Cal Ripken Sr., and brother of the team's shortstop, Cal Ripken Jr., played second base in his major-league debut. It was the first brother combination at second and short since Eddie and Johnny O'Brien played for the Pittsburgh Pirates in 1956, and was the first time a father has managed two sons in a major-league game.

**Rangers 6, Indians 2:** In Arlington, Texas, Charlie Hough struck out a career-high 11 and held Cleveland to five hits over 6½ innings. Hough became the first Ranger to strike out 100 or more in a season six times; Ferguson Jenkins did it five times in the 1970s. Hough, with 94, also passed Jim Jenkins for most victories as a Ranger.

**Red Sox 10, Mariners 4:** In Seattle, Wade Boggs and Ellis Burks homered for Boston and Roger Clemens pitched a seven-inning, striking out nine.

**Tigers 12, Angels 5:** In Anaheim, California, Mike Heath and Alan Trammell each doubled in two runs in the second inning, when Detroit scored five unearned runs after a botched rundown play.

**Mets 9, Astros 6:** In the National League, in Houston, Howard Johnson hit two home runs, walked

## Royals' Jackson Eyes Off-Season 'Hobby': The NFL

**Compiled by Our Staff From Dispatches**

**TORONTO** — Bo Jackson, the rookie outfielder of the Kansas City Royals, would like to play for the Los Angeles Raiders in the National Football League as a hobby like hunting or fishing, he said Saturday.

Jackson's lawyer reportedly was in Los Angeles talking with officials of the Raiders, who drafted him in the seventh round last April. "I'm thinking about adding another hobby to my off-season collection and that's all that would be," Jackson said. "My No. 1 priority is the Kansas City Royals."

"That's kind of a tough hobby to me," said Manager Billy Gardner of Jackson's comment. "He's a great football player. I think he wanted to try it and see if he can do it."

Thump Bay made Jackson, a Heisman Trophy-winning running back at Auburn, his first choice in the 1986 NFL draft but lost its rights to him when Kansas City signed him to a baseball contract. Jackson had said several times this season that football was behind him.

But he "has expressed his desire to us to consider playing football this fall and the Royals think it is very important to do whatever is in Bo's best interests," said Avron Fogelman, the team's co-owner. "If a man has talents, you have to give him an opportunity to determine how good he is. We wish Bo a lot of success," he said, adding that

Kansas City would re-write Jackson's contract to remove a no-football restriction.

Fogelman said that Jackson could not practice football on off-days, meaning that he would join the Raiders with no training camp and (depending on the Royals' post-season activities) might not be available to Los Angeles until the last week of October.

Jackson has reached out 112 times in 277 at-bats this season but leads the league with 18 home runs and runs batted in. He was hitting .253 entering Saturday's game.

Some of his teammates were critical. "I think it's horseman," said Willie Wilson in stronger language than that. "I'm mad and the team's mad. The front office has no respect for the team — we're giving 100 percent and we've been playing for years, and now they let a guy come in here and tell them what to do. I got 900 restrictions in my contract on things I can't do because they're hazardous to my health. You think [New York Giant linebacker] Lawrence Taylor is going to think it's a hobby?"

"Maybe I can go Brehma bull riding now," said George Brett, "or take up sword fighting."

Utilityman Jaime Quiroz has a different perspective. "I can't handle baseball," he said. "How am I going to play football?" (UPI, AP)

## SCOREBOARD

## Baseball

## Major League Line Scores

**FRIDAY'S RESULTS**  
**AMERICAN LEAGUE**

Kansas City 9, Toronto 2  
Detroit 5, Cleveland 4  
Boston 4, Baltimore 3  
New York 4, Oakland 3  
Chicago 4, Milwaukee 3  
Seattle 4, San Francisco 3  
Texas 4, Houston 3  
Los Angeles 4, St. Louis 3  
Pittsburgh 4, Philadelphia 3  
Cincinnati 4, San Diego 3

**NATIONAL LEAGUE**

St. Louis 4, Cincinnati 3  
Cleveland 4, Detroit 3  
Boston 4, Baltimore 3  
New York 4, Oakland 3  
Chicago 4, Milwaukee 3  
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**Baseball Standings**

**AMERICAN LEAGUE**

Best Division

W L Pct. GB

New York 54 34 .614

Toronto 48 40 .545

Detroit 46 42 .519

Minnesota 44 44 .500

Boston 41 49 .450

Baltimore 38 52 .422

Chicago 35 55 .389

Seattle 31 59 .344

San Francisco 28 62 .311

Texas 25 65 .278

Los Angeles 22 68 .244

St. Louis 20 70 .222

Pittsburgh 18 72 .200

Philadelphia 15 75 .167

Cincinnati 12 78 .133

San Diego 10 80 .111

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